聯康集團
Uni-Bio Science

Uni-Bio Science Group Ltd.
聯康生物科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0690

ANNUAL REPORT 2022

心創造新醫藥
LEADING GENUINE INNOVATION

AGILE

ACCELERATED GROWTH INTERNATIONAL EXECUTION

We put in place a 5 year plan called Operation AGILE. AGILE stands for Accelerated Growth, International Execution. In Chinese it would be「促進增長，國際視野」.

BUILDING ON A STRONG FOUNDATION

Operational excellence is the key theme at Uni-Bio. We will continue to strive to improve and build on top of the Company's existing infrastructure. With a strong foundation, strong growth prospects are sure to follow.

OUR MISSION

Uni-Bio Science Group is dedicated to delivering innovative, high quality healthcare solutions for patients throughout China, operating responsibly and generating increasing value for our shareholders.

OUR VISION

Uni-Bio Science Group aspires to be a world leading biopharmaceutical company, focused on addressing the needs of the Chinese healthcare market through innovation and strategic partnerships.

To be recognised as the leading partner for global pharmaceutical companies to bring novel treatments to patients in China.

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WE ARE DEDICATED TO

IMPROVING THE QUALITY OF LIFE OF PATIENTS

THROUGH INNOVATIVE TREATMENTS

Our Commitment of Quality

Uni-Bio Science Group Limited (the "**Company**") is a company listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 0690).

The core business of the Company and its subsidiaries (collectively referred to as "**Uni-Bio**" or the "**Group**") is the research, development, manufacturing and sales of innovative biologic products that treat human diseases.

Uni-Bio is headquartered in Hong Kong and its main operations are in mainland China. The Group is strongly focused on research and development ("**R&D**") and has a highly qualified team in Guangdong Province. The Group also has two GMP ("**Good Manufacturing Practices**") – certified manufacturing plants in Beijing and Shenzhen, manufacturing our marketed products – Voriconazole and EGF respectively.

Currently, the Group has two new prescription drugs that have been carrying out or have completed clinical trials – rExendin-4 ("**Uni-E4**") and rhPTH 1-34 ("**Uni-PTH**"), all clinical trials of which have been completed.

- *Uni-E4 is targeted at the Type 2 diabetic patient population, especially those who are overweight.*

- *Uni-PTH is a treatment for osteoporosis in postmenopausal women (submitted and accepted for review by the CFDA in April 2015).*

The Group's corporate philosophy is to achieve better human health by bringing high quality science and treatments to patients. To this end, the Group is deeply dedicated to serve patients better through partnering. We aspire to be the "Partner of Choice" in China, bringing cost-effective and important treatments into China.

Key Financial Highlights

	Notes	Year ended 31 December 2022	2021
Revenue (HK$'000)		**440,316**	353,405
Gross profit (HK$'000)		**334,883**	277,007
R&D costs (HK$'000)		**35,781**	50,219
Profit (loss) before taxation (excluding the impairment of assets)		**43,287**	(20,012)
Adjusted (LBITDA) EBITDA (HK$'000)	*1*	**65,844**	13,666
Gross profit margin (%)		**76.1%**	78.4%
R&D costs to revenue (%)		**8.1%**	14.2%

		As at 31 December 2022	2021
Cash ratio (times)	*2*	**1.09**	0.91
Current ratio (times)	*3*	**2.22**	2.18
Trade payables turnover days (days)	*4*	**18**	22
Trade receivables turnover days (days)	*5*	**36**	52
Inventory turnover days (days)	*6*	**127**	134
Debt-to-equity ratio (%)	*7*	**50.2%**	53.5
Total assets turnover (%)	*8*	**150.6%**	132.1%

Notes for key ratios:

1 Adjusted EBITDA (LBITDA): Earnings (loss) before taxation minus interest expense, impairment loss, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets and prepaid lease payments

2 Cash ratio: Bank balances and cash/current liabilities

3 Current ratio: Current assets/current liabilities

4 Trade payables turnover days: Average of opening and closing balances on trade payables (exclude VAT)/cost of sales and multiplied by 365 days

5 Trade receivables turnover days: Average of opening and closing balances on trade receivables(exclude VAT)/turnover and multiplied by 365 days

6 Inventory turnover days: Average of opening and closing balances on inventory/cost of sales and multiplied by 365 days

7 Debt-to-equity ratio: Total liabilities/total equity

8 Total assets turnover: Total revenue/total assets

GROSS PROFIT MARGIN

76.1%

R&D COSTS TO REVENUE

8.1%

REVENUE (HK$'000)

440,316

LEADING GENUINE INNOVATION

Chairman's Statement

Chairman's Statement

Dear esteemed shareholders, employees and key stakeholders,

On behalf of Uni-Bio Science Group Limited, I am pleased to present the annual results for the year ended 31 December 2022 (the "**Year**").

Despite the challenges and uncertainties brought about by the COVID-19 pandemic and the market, we have persevered and continued to make progress. Through our unwavering commitment to innovative research and development, we were able to sustain our growth and deliver value to our pipeline projects, further cementing our position for long-term success.

KINGSLEY LEUNG
(Chairman)

I am pleased to share that we have made significant breakthroughs with several self-developed products that have now been brought to fruition:

1. A Profitable Research-oriented Company with Record-breaking Revenue

2. Boosting EGF Production with Enhanced Technological Capability

3. Bogutai® Accepted by NMPA and Ready to Enter the Osteoporosis Market

4. Boshutai® Won Bid for 13-Provinces Alliance Procurement

5. Tapping into the Booming Aesthetic Medical Field

Last year, we have implemented a "four-wheel drive" approach to make our strategy clearer, reflecting our strong commitment to focusing on high-value generic drugs, bio-innovative drugs, advanced skincare raw materials, and CMO business. In pursuit of these goals, we have continuously worked to enhance our R&D capabilities. We have achieved a significant milestone by establishing two new research centers. The Hong Kong research center is dedicated to the development of cutting-edge technology and best-in-class products in the fields of ophthalmology and dermatology. This center is instrumental in further expansion and driving strategic growth. On the other hand, the "Biopeptides Innovative Medicine and Advanced Technology R&D Center" in Beijing combines the latest in bioinformatics technology, genetic engineering, and oral formulation techniques to develop the biosynthetic polypeptide drug industry. This will significantly enhance the Group's innovation capabilities and long-term profitability. By leveraging the unique strengths of these two innovative research centers, Uni-Bio Science is positioned to take its business to new heights in the years to come.

Supported by the robust R&D capability, we strongly believe that 2023 will be another fruitful year for the Group. We are proud to present Bogutai®, the first domestically manufacturing PTH liquid in China to use a disposable injection pen, which is expected to receive approval for product launch by September 2023. The Group has already completed the CFDI registration site verification in 2022. It will be the fifth marketed and self-developed drug of the Group and has been proven to be both safer, more therapeutically effective and more relevant to patient needs. We are confident that this will emerge as another major milestone for our Group.

The Group is partnering with Global Cosmetics to develop new skincare raw materials. Global Cosmetics is a global beauty supply chain platform with an extensive distribution network and more than 20 years of industry experience. The Group brings expertise in dermatology to the collaboration, which will launch its first product, fibronectin, in 2023. The Group is confident in the long-term prospects of the aesthetic medical industry and is poised to take advantage of the growing market opportunities.

In addition to our product commercialization efforts, we are currently preparing for the upcoming national centralized procurement of Pinup® (Voriconazole tablets) which will be launched as soon as in April 2023. Our successful inclusion in the previous round of procurement allowed us to tap into new public hospital markets and secure large hospital orders. As a result, our Pinup® has achieved a remarkable market share of nearly 50%, which is significantly higher than our peers based on sales volume. The new selection rules and criteria are favorable for the current winner, and the Group is confident that Pinup® will be selected once again. We will also focus on improving our production efficiency to ensure that we secure our seat in the upcoming procurement.

In the longer term, we will continue to expedite our product development to diversify product offerings to cater a wider range of patients' needs. We continue to explore the expansion and upgrade of our signature EGF products. We have been actively working with Nano and Advanced Materials Institute (NAMI) to develop a new formulation of rhEGF products designed to achieve better stability, antibacterial properties, and sustainability.

We have also initiated the development of Blowing Filling and Sealing ("**BFS**") packaging technology for our ophthalmology products. This innovative packaging technology has been proven to reduce the risk of cross-infection, and enhance safety and stability, while also offering greater convenience for patients. We are confident that, the continuous exploration of EGF will enable us to strengthen our foothold in the EGF market and solidify our leadership.

At the same time, we have been focusing on developing drug options for patients with osteoporosis and diabetes. Our 3rd general oral form of Uni-PTH is currently undergoing data collection, while the oral dosage form of Uni-GLP-1 is in the development stage. Initial research suggests its superior bioavailability and efficacy in weight loss and liver health. In the upcoming year, we plan to conduct animal testing to evaluate its bioavailability and pharmacokinetics thoroughly. The clinical work of Uni-GLP-1 injection pen has been undergoing as scheduled. We strongly believe that these products will further enhance our market competitiveness in bio-patented drugs, as we striving to introduce unique and best-in-class products as soon as possible.

In the long run, megatrends such as population aging, urbanization, and domestic substitution will continue to accelerate the growth of domestic biopharmaceutical companies. We are determined to become a leading biopharmaceutical platform in China. Our commitment to improving the lives of patients drives us to pursue innovative treatments and solutions.

APPRECIATION

Finally, I would like to express my appreciation to our employees for their dedication and commitment, and I would also like to extend our gratitude to our investors, stakeholders, partners, customers and suppliers for their continuous support. A new chapter for Uni-Bio Science is about to be unveiled , and we will continue to execute our strategies well, focus on efficiency, speed and agility in the future, I am sure we can carve a nice niche out from the market for ourselves.

Kingsley Leung
Chairman

27 March 2023

ACCELERATE GROWTH INTERNATIONAL EXECUTION

Management Discussion and Analysis

Management Discussion and Analysis

MARKET REVIEW

In 2022, the resurgence of the COVID-19 pandemic in China resulted in strict regulatory measures, such as social distancing mandates, quarantines, and local lockdowns. However, by the end of the year, China started to ease these measures, with most of them lifted in December. As the COVID-19 pandemic begins to fade, China is expected to return to a more normal pace of economic activity and growth. The end of the pandemic also presents an opportunity for the pharmaceutical and medical aesthetics markets to continue their growth trajectory.

Over the years, China's National Medical Products Administration (NMPA) had carried out a series of regulatory reforms aimed at accelerating the clinical development and regulatory review of China's innovative drugs. These reforms have streamlined the approval process for new therapies, reduced the cost of domestic drug development, and made the Chinese market more appealing to medical innovation. China has also been encouraging the research and development ("**R&D**") and upgrading of the high-end generic drug market to increase the industry's overall quality and competitiveness in the international market. Moreover, the growing beauty consciousness among individuals and the steady increase in consumer disposable income are contributing to the boom of the aesthetics medical market in China.

The promising outlook for the Chinese pharmaceutical and medical aesthetics market brings significant opportunities for Uni-Bio Science Group. The Group has taken a proactive approach by establishing a state-of-the-art "Biopeptides Innovative Medicine and Advanced Technology R&D Center" in Beijing. The center combines cutting-edge bioinformatics, genetic engineering, and oral formulation techniques to develop the biosynthetic polypeptide drug industry. Additionally, the Group has recently launched a new research center in Hong Kong, which focuses on conducting research in stem cell exosomes, synthetic biology, nanomaterials, and protein engineering. By leveraging these two new R&D centers, the Group is poised to expand its product line, reshape its R&D system, open up new opportunities, and drive future strategic growth.

BUSINESS REVIEW

Uni-Bio Science — A Fully Integrated Biopharmaceutical Company

Uni-Bio Science Group is a biopharmaceutical company focusing on endocrinology, dermatology and ophthalmology. From R&D, production, manufacturing, to sales and distribution of biopharmaceutical and chemical drugs, the Group has established a fully integrated business platform serving the entire value chain. As of 31 December 2022, the group has launched four products into the market, namely GeneTime®, GeneSoft®, Pinup® and Boshutai®.

KEY ACCOMPLISHMENTS IN 2022

A Profitable Research-oriented Company with Record-breaking Revenue

In 2022, despite the spread of the COVID-19 pandemic and the backdrop of an increasing poor macroeconomic outlook, the Group successfully navigated many challenges. While maintaining strong sales growth, the Group steadfastly advanced the innovation and R&D progress of different product pipelines. For 2022, the Group achieved a record high in revenue, with a notable increase of 24.6% year-on-year ("**YoY**"). The sales of Pinup® and Boshutai® performed exceptionally well, thanks to the Group's efforts to increase production capacity and the gradual unlocking of its diverse distribution channels. Even more remarkably, the Group's diligent cost control efforts resulted in a profit for the year of HK$38.5 million, marking an important milestone for a research-oriented biopharmaceutical company.

Boosting EGF Production with Enhanced Technological Capability

The Group's EGF products have long been highly recognized by the market. To keep up with the growing demand for these products, the Group has continuously improved EGF process technology and optimized the production capacity of the drug substance, and the production capacity of each batch has been increased to 4 times the original amount. This increase in capacity not only improved higher production efficiency and reduced costs, but it also opened up new formulation opportunities such as, gel form, film form, VSD foam dressings, and more, further diversifying the EGF production line and strengthening its competitive advantage in the market.

Bogutai® NDA Accepted by NMPA and Ready to Enter the Osteoporosis Market

In June 2022, the marketing application of Bogutai® (teriparatide injection) was accepted by the China National Medical Products Administration (NMPA). By the end of December 2022, the Group also completed the China Center for Food and Drug Inspections ("**CFDI**") registration site verification, which included pharmacy development site verification, manufacturing site (GMP compliance) verification, and clinical site verification. Bogutai® will be the Group's fifth marketed drug and the first domestically manufactured PTH Liquid in China to use a disposable injection pen.

Developed in collaboration with Swiss self-care company Ypsomed, Bogutai® will offer osteoporosis patients a more attractive drug option and represent a major milestone for the Group in the orthopedic disease space. The Group is confident that Bogutai® will be a future blockbuster for the company, thanks to its strong cost advantage, superior therapeutic effect, and convenient administration method.

Boshutai® Won Bid for 13-Provinces Alliance Procurement

Boshutai® is the Group's fourth marketed drug with successful commercialization. In June 2022, Boshutai®, the Group's Acarbose Tablets, was successfully awarded the drug alliance procurement bid for the second and fourth batches of medicines for two years in the 13-provinces Alliance Procurement of Henan, Shanxi, Mongolia, Hubei, Hunan, Guangxi, Hainan, Chongqing, Guizhou, Qinghai, Ningxia, and New Corps. This win represented a significant milestone for the Group and provided an opportunity to quickly expand its in-hospital market share. To meet the growing demand for Boshutai®, the Group had already expanded its production capacity at its strategic partner's Suzhou production site to ensure supply stability.

R&D and Pipeline Progress

During the Year, the Group continued to focus on developing innovative and proprietary products in endocrinology, ophthalmology, and dermatology fields. Currently, the Group has several leading patented biopharmaceutical products, certain high-value generic and skincare raw material products under various stages of development. The Group's R&D team is working diligently to research and discover new patented drugs to fulfill the unmet medical needs of patients.

Patented Biopharmaceutical Products

Products/Components	Indication	Discovery	Pre- clinical	Phase 1	Phase 2	Phase 3	BE	NDA	Marketed
Metabolic									
Uni-PTH (liquid)	Osteoporosis	✓	✓	CTE	CTE	CTE	✓	✓	
Uni-PTH (oral)	Osteoporosis	✓	✓						
Uni-GLP-1 (liquid)	Type 2 Diabetes	✓	✓	CTE	CTE	✓			
Uni-GLP-1 (liquid)	Obesity	✓	✓						
Uni-GLP-1 (oral)	Type 2 Diabetes	✓	✓						
Ophthalmology									
UB101	AMD	✓							
UB102	AMD	✓							
Wound Healing									
UB104	Wound Healing	✓							

Note: BE, bioequivalence, CTE, the abbreviated form of clinical trial exemption, refers to the authorization to administer an investigational agent to patients or volunteer subjects under specified conditions of a particular research study in a clinical setting. Upon approval, the new drug can be exempted from Phase I/II/III clinical trial.

UNI-PTH

Uni-PTH (a recombinant human parathyroid hormone 1-34 analogue), a proprietary product that is under R&D of the Group, is effective in treating osteoporosis and bone pain, increasing bone density and reducing the risk of bone fracture. Currently, the drug is the only class of anabolic agent which can actively increase bone density and reduce the chance of vertebral and hip fractures by stimulating osteoblasts activity. Through stimulating new bone formation, Uni-PTH can quickly improve bone quality and increase bone density within 6 months of treatment, therefore reducing fracture incidence and bone pain, which is especially helpful in treating patients with moderate-to-severe osteoporosis and ostealgia. 2nd Generation Uni-PTH improves upon the formulation of 1st Generation Uni-PTH in terms of patient convenience. Uni-PTH is also one of the few fully biological expressed parathyroid hormone analogues in the world and has very limited number of direct competitors in the Chinese market.

The 2nd Generation Uni-PTH (pre-filled injection pen), named Bogutai®, is the first domestic disposable liquid injection pen in China, with unparalleled dosing accuracy and minimized injection pain. It has been proven that it is effective to increase bone density, reduce fracture incidence and it is more convenient and safer for patient to use. During the Year, New Drug Application ("**NDA**") for Bogutai® had been submitted, the Group also successfully completed CFDI registration site verification, including pharmacy development site, manufacturing site (GMP compliance), and clinical site verification. The Group expected Bogutai® to be approved for marketing in 2023. Besides, the development of the 3rd Generation oral form Uni-PTH is under preparation for data collecting.

Uni-GLP-1

The Group's GLP-1 product is the first biologically expressed GLP-1 agent in the world. Although the biological expression of GLP-1 has the same primary structure sequence as the chemically synthesized Exenatide, it is more similar to the natural GLP-1 existing in living body in terms of secondary structure, with a more complete and stable biologically spatial structure, leading to potentially better efficacy and safety. Due to its higher technical requirement, the product cannot be easily replicated, thus enjoying greater advantages in pricing, price support (as it is not included in the national volume-based procurement) and higher entry barrier compared with chemically synthesized Exenatide. The product also enjoys the benefits of a stable active pharmaceutical ingredients supply as no external procurement is required. With its clinical, cost and pricing advantages, Uni-GLP-1 has the potential of becoming a leading product in China. In addition, the liquid formulation developed by the Group is compatible with safe and efficient injection pens for multiple uses without reconstitution, offering greater convenience compared with the powder formulation.

In the past two years, the Group had collaborated with universities to conduct Obesity indications and oral GLP-1 formulation product R&D. During the collaboration, we were surprised to find that, the results of long-term administration of the drug on the weight of DIO mice showed that the drug achieved the equivalent weight loss effect at a dose many times lower than that of liraglutide. In addition, no serious gastrointestinal reaction (vomiting) was found in DIO mice at all stages of the experiment, and the weight loss effect did not show a drastic recovery after the cessation of administration. Meanwhile, the serum parameters indicated that the product had both weight loss and liver protection effects. The oral GLP-1 developed by the research team breaks through the technical barriers of GLP-1RA oral administration, upgrades the oral dosage form with better patient compliance, and its bioavailability is more than 2 times better than the clinical bioavailability of semaglutide, the marketed oral GLP-1 product found abroad. Based on the pharmacokinetic data analysis in rats, this product is expected to provide more effective and better compliance options for patients who currently cannot achieve target glucose levels through oral hypoglycemic chemical agents, which is worthy of further research.

During the Year, the formulation development of oral form Uni-GLP-1 was completed, and the results showed that its bioavailability was superior to the positive control oral semaglutide. Currently, formal animal studies in beagle dogs are under preparation to further validate the bioavailability and pharmacokinetics of the oral form Uni-GLP-1 in animals. The clinical work of Uni-GLP-1 injection pen is on schedule for related pharmacological studies.

DOTBODY™ PROJECTS

UB101 (Bivalent nanobody) is used to treat wet age-related macular degeneration (wet AMD) and works by stopping abnormal blood vessel growth and leakage in the eye(s) that may cause vision loss. The current standard of care for the treatment of wet AMD is administered by intravitreal injection, which brings great inconvenience to patients. Currently, the Group is working on innovative technology to overcome the limitations of intravitreal injection treatment and in preparation for preclinical in vitro and in vivo test.

UB102 (Bispecific nanobody) is capable of blocking two proangiogenic receptors and a combined blockade of them has a greater inhibitory efficacy compared with inhibition of either factor alone. It was designed for the treatment of ocular diseases including wet AMD. Compared to UB101, UB102 can better relieve the symptom. VABYSMO (Faricimab, Roche) is used to treat the following eye disorders: neovascular (wet) age-related macular degeneration (nAMD) and diabetic macular oedema (DMO). Wet AMD can require treatment with eye injections every one to two months by other drugs. People receiving Vabysmo could be treated every three to four months, which significantly reduces the number of injections, thus reducing the risk of complications caused by eye injections. Vabysmo can block two disease pathways linked to several vision-threatening retinal conditions by neutralizing angiopoietin-2 (Ang-2) and vascular endothelial growth factor-A (VEGF-A). And these two targets are the same as our UB102. We expect similar superiority for UB102. The Group is developing the bispecific nanobody based on our technology platform as planned. Currently, our preliminary in vitro studies show that UB102 has a superior affinity for VEGF and Ang2, which is expected to achieve good efficacy and longer treatment intervals.

According to the Frost & Sullivan Report, the prevalence of wet AMD in China was 3.4 million in 2017 and is expected to reach 4.0 million in 2022 and 4.8 million in 2030. The Group believes that there is a significant commercial demand for the treatment of wet AMD.

EGF-Nanofibers wound dressing

UB104 (EGF-Nanofibers wound dressing) possesses ideal wound dressing characteristics. Slow-release growth factors promote wound healing, and Nanofiber has excellent breathability and antibacterial properties. As an advanced wound dressing, EGF-Nanofibers can be widely used in wound healing, especially for chronic wounds, and has an up-and-coming market. According to Fortune Business Insights, the global wound care market size is expected to gain momentum by reaching USD24.01 billion by 2028 while exhibiting a CAGR of 6.1% between 2021 and 2028. In China, the change of population structure, the improvement of medical system and the increase of income level provide an upside for the market of medical dressing. From 2014 to 2018, the market size of China grew from RMB5.52 billion to RMB13.62 billion, with a compound annual growth rate of 25.3%. It is predicted that the market size of China dressings industry will maintain a CAGR of 11.1% between 2019 and 2023, and the market size will reach 23.45 billion RMB in 2023.

Advanced Skincare Raw Materials

Efficacy skin care is increasingly popular. Synthetic biology is becoming an essential research direction with disruptive potential in the cosmetical space. The new skincare raw materials under research in the new laboratory of the Group include fibronectin, beauty peptides, collagen, microecological skincare product, and stem cell exosome product. The materials are safe in composition, excellent in efficacy, and widely used. Currently, the Group effectively leverages the research ecosystem of Hong Kong Science Park, Uni-Bio Science Group's bioprocessing platform and Global Cosmetics' extensive experience in the field of cosmetics to commercialize these products quickly.

Products/Components	Discovery	Production Development	Formulation Development	Marketed
Fibronectin	✓	✓	✓	
Beauty peptides	✓	✓		
Collagen	✓	✓		
Microecological skin-care product	✓			
Stem cell exosome product	✓			

Fibronectin

Fibronectin is a multifunctional extracellular matrix glycoprotein that is widely involved in cell migration, adhesion, proliferation, hemostasis, and tissue repair. In the field of skin care products, fibronectin is safe and effective for skin barrier repairing (damaged skin, acne-prone skin, sensitive skin, post-medical art, etc.). The Group's fibronectin products have been shown to be as effective as natural fibronectin derived from human blood. During the Year, the Group had completed the development of our fibronectin raw material to achieve high yield, activity, and is ready for launch.

Beauty Peptides

Peptides have various cosmetic benefits and each peptide used in products has a specific activity. Our product lines focus on anti-wrinkle, anti-aging, skin-whitening, and anti-allergy. Our long-standing experience of clinical grade peptide manufacture applies equally to cosmetic peptides. The recombinant DNA approach could be more attractive in terms of costs and have a lower environmental impact and faster development time, than the current chemical manufacturing technologies. Currently, the Group had completed the initial development of its first cosmetic peptide product, Conopeptide, for anti-wrinkle applications and is about to begin the peptide's functional validation.

Collagen

Collagen is the most abundant protein in the human body, making up from 25% to 35% of the whole-body protein content. It forms a network of elastic fibers that support the skin, maintaining its elasticity and locking in moisture. Collagen production decreases by approximately 1% each year of age after maturity (about age 21), leading to a loss in firmness and elasticity of the skin. Collagen skincare products could be widely used in moisturizing, maintaining the skin barrier, and anti-aging. Currently, collagen products are under developing, and the Group is also exploring the possibilities of different types of collagen applications.

Microecological Skin-care Product

This microecological skincare product is derived from probiotic fermentation that balances beneficial skin flora, repairs the skin barrier, produces organic acids to maintain skin health, promotes wound healing, and reduces UV damage. With the application of synthetic biology technology, the Group develops microecological products with a wide range of properties for broader applications in skincare. In October 2022, the collaboration project with the Hong Kong Nano and Advanced Materials Institute was officially launched.

Stem Cell Exosome Product

Exosomes are emerging bioactive substances involved in multiple biological and cellular activities of the skin. These nanosized small membrane vesicles (30–100 nm) are secreted by all eucaryotic cells, including skin cells. Mesenchymal stem cells (MSCs) are multipotent cells with immunomodulatory and trophic effects. Exosomes from stem cells promote skin regeneration, collagen synthesis, and help minimize scar formation. Exosomes are non-immunogenic and safe as topical skincare.

High Value Generic Products and Bioequivalence Studies

Product	Indication	Status	Remark
Endocrinology			
Boshutai®	Type 2 Diabetes	Boshutai® (Acarbose Tablets) has been launched into market	Co-developed with Beijing Baiao Pharmaceutical Co., Ltd.
Infectious Disease			
Pinup®	Fungal infection	Pinup® was included in national centralized procurement in 2021	
Ophthalmology			
Diquafosol®	Dry eye disease	During the Year, the selection of raw material suppliers, the development of laboratory formulation processes and analytical methods were completed.	

Diquafosol Sodium Eye Drops Project

Diquas Sodium Eye Drop is a medication for treating dry eye disease and is suitable for patients with dry eye diagnosed with abnormal tear-associated corneal epithelial defect. During the Year, the Group completed the selection of raw material suppliers, the development of laboratory formulation processes and analytical methods. Currently, the Group plans to conduct a pilot-scale study and production process validation in 2023. The Active Pharmaceutical Ingredient ("**API**") cost advantages of the Group as well as the Blowing Filling and Sealing packaging technology will bring huge advantages to the Group in the competition of high-value generic products.

RESULTS OVERVIEW

In 2022, the Group recorded a record-breaking revenue of approximately HK$440.3 million, representing a significant increase of 24.6% year-on-year (2021: HK$353.4 million). The increase in revenue was mainly attributable to the impressive sales growth of Pinup® and Boshutai®.

Cost of sales for the Year increased by 38.0% to approximately HK$105.4 million in 2022 from approximately HK$76.4 million in 2021. Gross profit was approximately HK$334.9 million, representing an increase of 20.9% as compared with approximately HK$277.0 million in 2021, whereas gross profit margin was 76.1% (2021: 78.4%). Thanks to the Group's diligent internal control, general and administrative expenses accounted for merely 10.7% of revenue in 2022 as compared with 13.3% in 2021. The selling and distribution expense for the Year also decreased to 48.0% of revenue from 52.5% in 2021. The R&D expenses decreased by 28.8% to approximately HK$35.8 million due to the completion of several clinical tests and the capitalization of development expenses.

The Group's commitment to cost control and profitability resulted in earnings before interest, tax, depreciation and amortization ("**EBITDA**") for the Year of HK$65.8 million as compared to HK$13.7 million in 2021. Net cash flow of HK$48.7 million from operating activities for the Year was recorded, representing the second consecutive year of positive cash flow for the Group. The Group recorded a profit of approximately HK$38.5 million for the Year, a remarkable increase of 296.6% year-on-year (2021: loss of HK$19.6 million). Basic earnings per share was approximately HK$0.61 cents (2021 basic loss per share HK$0.31 cents).

Marketed drugs sales

GeneTime®

The Group's flagship product, GeneTime®, a prescription biological drug for wound healing. For the Year, revenue generated from GeneTime® was approximately HK$169.4 million, representing a decrease of 0.6% from approximately HK$170.5 million in 2021.

Despite the pandemic-related production interruptions in the first quarter of 2022, the Group quickly resumed and upgraded production of GeneTime® in mid-2022. With the successful passing of two-shift production simulation verifications and optimized upstream production processes, the production capacity of GeneTime® was significantly enhanced. As a result, sales of GeneTime® resumed growth in the second half of the year, offsetting the earlier shortfall.

GeneSoft®

GeneSoft® is a therapeutic drug for dry eye syndrome, corneal damage and post-operative healing. Despite the short-term production interruption caused by pandemic prevention measures in early 2022, GeneSoft® recorded an increase in revenue from approximately HK$36.3 million to approximately HK$38.4 million, representing an increase of 6.0%. The Group's ongoing efforts to optimize the distribution channel, improve promotion, and drive direct sales helped offset the impact of the production interruption.

Pinup®

The Group's self-developed chemical pharmaceutical product Pinup® (Voriconazole tablets) saw a remarkable increase of 51.2% in revenue, jumping from approximately HK$142.2 million to approximately HK$215.1 million for the Year. The increase was attributable to Pinup®'s inclusion in the national centralized procurement in 2021, which has secured the Group with substantial hospital orders. To keep up with the growing demand, the Group also allocated additional production capacity to support the success of Pinup® during the Year.

Boshutai®

The Group's product Boshutai® (Acarbose tablet) is a small molecule drug to treat diabetes launched in early 2021. For the Year, revenue of Boshutai® increased substantially from approximately HK$4.5 million to approximately HK$17.4 million, representing a significant increase of 292.5%. The increase was attributable to Boshutai®'s inclusion in the centralized procurement by the Henan Thirteen Provinces Alliance in June 2022, which secured the Group with new in-hospital orders. In a bid to meet the growing demand, the Group successfully shifted Boshutai®'s production to its strategic partner's Suzhou manufacturing site, which is significantly larger in scale, to expand the production capacity.

FINANCIAL PERFORMANCE REVIEW

Turnover

Sales Developments

For the Year, the Group recorded a revenue of approximately HK$440.3 million, representing a significant increase of 24.6% YoY.

Proprietary Biological Pharmaceutical Products

The Group's proprietary biological pharmaceutical products include GeneTime® (EGF spray indicated for wound healing) and GeneSoft® (EGF-derivative eye drop indicated for corneal damage and post-operative healing). For the Year, proprietary biological pharmaceutical products recorded approximately HK$207.8 million of sales, representing an increase of 0.5% compared with last year. Proprietary biological pharmaceutical products represented 47.2% of total sales for the Year.

Proprietary Chemical Pharmaceutical Products

The Group's chemical pharmaceutical products include Pinup® (Voriconazole tablets which is tailored to treat severe fungal infection) and Boshutai® (Acarbose tablet). For the Year, the segment achieved a revenue of approximately HK$232.5 million, representing a significant increase of 58.5% compared with last year.

Gross Profit and Gross Profit Margin

For the Year, gross profit was approximately HK$334.9 million, representing an increase of 20.9% as compared with approximately HK$277.0 million in 2021. The increase in gross profit was mainly led by the surge of revenue generated from the Group's main products. Gross profit margin was 76.1% (2021: 78.4%) and the change was due to Pinup®'s price concession for the national centralized procurement, which was partly offset by the economies of scale from mass production volume.

Selling and Distribution Expenses

For the Year, selling and distribution expenses recorded an increase from approximately HK$185.7 million in 2021 to approximately HK$211.3 million in 2022, while the percentage of selling and distribution expenses over revenue decreased from 52.5% last year to 48.0% in 2022. This decrease was largely due to the Group's ongoing efforts to optimize its distribution strategies and strengthen its cost control.

Research and Development Expenses

Research and development expenses in 2022 was approximately HK$35.8 million, representing a decrease of 28.8% from approximately HK$50.2 million in 2021. The reduction was largely due to the completion of Uni-PTH clinical tests and the capitalization of related expenses. Including the capitalized portion, R&D expenses was approximately HK$53.9 million in 2022, representing an increase of 7.4% when compared with HK$50.2 million in 2021.

General and Administrative Expenses

For the Year, general and administrative expenses maintained at a stable level of approximately HK$47.0 million in 2022 (2021: HK$47.2 million), representing a decrease of 0.3%. The decrease was attributable to the Group's ongoing efforts in implementing its effective internal control and cost-cutting measures. The expenses accounted for 10.7% of revenue as compared with 13.3% last year.

Other Revenue

Other revenue for the Year was approximately HK$8.6 million, representing an increase of 45.7% when compared with approximately HK$5.9 million in 2021. The increase was mainly attributable to an increase in revenue from non-operating item, such as government subsidies.

Profit for the Year

The Group made a remarkable turnaround in 2022, posting a profit of HK$38.5 million after recording a loss of HK$19.6 million in 2021. This outstanding result was driven by the Group's continuous cost control, core operations and organic growth, marking a significant milestone in its journey towards sustained profitability. The Group's efforts over the past years have placed it on a solid path of profit growth.

PROSPECTS

Outlook

Amidst the stringent zero-COVID-19 policies, China faced significant economic challenges in the past year. Despite the reopening of borders, global economic headwinds are expected to continue in 2023 due to rising interest rates, inflation, and geopolitical trends. These factors will create economic shifts and challenges for businesses in areas such as trade, investment, and labor. Despite the economic challenges, President Xi Jinping has reaffirmed the country's commitment to supporting domestic demand expansion by prioritizing the recovery, boosting consumption and encouraging more private investment. These efforts are expected to help drive economic growth.

With the implementation of the "Healthy China" strategy and the support of favorable factors such as supportive policies, industry efforts, and capital investments, the pharmaceutical and healthcare sector is expected to remain one of the most dynamic and promising fields in China over the longer term. As the population ages, domestic substitution and urbanization continues, along with increasingly gentle centralized procurement policies, China's pharmaceutical industry is poised to experience high-quality innovation and development. This trend will lead to more Chinese patients seeking better treatment options and medical beauty products, creating a favorable environment for the rapid development of Chinese pharmaceutical enterprises.

As one of the leading biopharmaceutical companies in China, the Group is well-equipped to navigate any potential challenges on the horizon while capitalizing on emerging opportunities. Despite the unpredictable headwinds, the Group has consistently maintained a healthy financial position with a positive cash flow and a manageable debt load. Our innovative "four-wheel drive" business model, which includes high-value generic drugs, bio-innovative drugs, new skincare raw materials, and CMO business, enables us to diversify our income streams and adapt to changing market conditions. This approach fosters sustainable growth while positioning us as a leader in the competitive biopharmaceutical landscape.

Maximizing EGF Potential by Capacity Optimization and Product Innovations

The Group is dedicated to meeting the growing demand for its signature EGF products, GeneTime® and GeneSoft®. Through ongoing enhancements to production technology in areas of high-cell density fermentation and purification, the Group is poised to increase production capacity four-fold the original level and drive innovation in EGF applications.

The Group has been exploring different applications of the EGF products to further extend the product life span and usage. The Group has been developing different dosage forms of GeneTime®, such as gel form, film form, and VSD foam dressings. The new dosage forms enable long-term sterile protection and a moist healing environment to prevent the loss of active ingredients EGF, delaying the scabbing and achieving scarless wound healing. The Group has also been actively working with NAMI to develop a new formulation of rhEGF products. Leveraging the active ingredient EGF, together with nanofiber dressing technology, the new formulation is non-toxic, anti-infective, anti-adhesive and can reduce the frequency of change dressing, accelerating the wound healing process. The new product also targets to replace the existing silver ion dressing, which doctors express concerns about its low toxicity.

In addition, the Group has been developing the single-dose form of GeneSoft® (no preservatives) utilizing the Blowing Filling and Sealing ("**BFS**") packaging technology in order to replace the traditional multi-dose droppers. The BFS package can reduce the risk of cross-infection as well as is safer and more convenient to use. The Group has invested over RMB20 million to construct the BFS production line to support future production.

In order to maximize the utilization of the BFS production line, the Group has also been developing new products, such as Diquafosol Sodium Eye Drops, a high-value generic product for dry eye syndrome, which is complementary to GeneSoft®. With its higher market premium and cost advantages of API, the Group believes it further enhances the gross profit margin, while providing dry eye patients with a new domestic drug choice for clinical treatment upon its launch.

Bogutai® Set to Revolutionize Osteoporosis Treatment in China in 2023

Bogutai®, is the first domestically manufacturing PTH Liquid in China to use a disposable injection pen. Following the marketing application accepted by the NMPA and completion of the CFDI registration site verification in 2022, it is expected that Bogutai® will be approved for product launch by September 2023. It will become the fifth marketed and self-developed drug of the Group.

Developed in collaboration with Swiss self-care giant Ypsomed, Bogutai® is proven to be safer and have a better therapeutic effect, providing patients with a better drug choice for reducing the risk of vertebral and non-vertebral fractures in postmenopausal women. With the osteoporosis market in China estimated to be worth USD81.5 billion by 2031, the Group is poised to capture a significant share of this growing market. The Group has invested in expanding its sales team by 42% in our 1st year of launch, providing comprehensive training, and extensively organized many pre-marketing activities ensuring that Bogutai® becomes another signature product in the Group's portfolio.

Preparation for New Round of National Centralized Procurement

Pinup® (Voriconazole tablets) was successfully included in the national centralized procurement in 2021. The inclusion allowed the Group to quickly tap into new public hospital markets and secure massive hospital orders. With the procurement contract set to end in 2023, the Group is gearing up for the new round of procurement which will be launched as soon as in April 2023. The new rules and criteria for selection are favorable for existing winners. As Pinup® was among the first to be selected in the fourth batch of the national centralized procurement, the Group will enjoy the advantage and is confident to be selected in the upcoming procurement. During the process, the Group will continue to improve its production efficiency to protect margins and secure its spot in the upcoming procurement.

Tapping into the Booming Aesthetic Medical Industry

With the lifting of Covid-19 restrictions in China, the aesthetic medical industry is poised to regain its flourishing prospects. China's economic recovery and increased focus on skincare, coupled with favorable national policies promoting innovation in functional cosmetics, bode well for the industry's growth.

To capture the growing market opportunities, the Group has been collaborating with Global Cosmetics to develop new effective skincare raw materials since 2022. With more than 20 years of experience in the skincare industry, Global Cosmetics is a global beauty supply chain platform which is adaptative to market change, allowing them to stay ahead of industry trends. The collaboration brings together Global Cosmetics' extensive distribution network and the Group's expertise in dermatology to create a close-loop and integrated supply chain. Currently, the functional raw ingredients under development include collagen, fibronectin, beauty peptides, microecological skin-care product and stem cell exosome product. Our development process utilizes data-driven methods and draws on our extensive experience in drug development. These products have been shown to be safe in composition and highly effective, allowing us to create best-in-market products. The first product resulting from this partnership is fibronectin. Substantial data indicates that it surpasses its competitors in the market in terms of cell migration, cell growth and cell adhesion. Fibronectin is expected to launch in 2023, which will further diversify the Group's revenue stream. The Group is confident in the long-term prospects of the aesthetic medical industry and is poised to take advantage of the growing market opportunities.

Commitment to Innovation for Best-in-class Products

Uni-Bio is steadfast in its efforts to strengthen its comprehensive R&D capabilities and broaden its portfolio of best-in-class products. The Group has been partnering with Alephoson Biopharmaceuticals Ltd. ("**Alephoson**") and DotBio Pte. Ltd. ("**DotBio**") to investigate the potential application of Cell Penetration Protein Alternation Technology (CePPA) and co-develop next-generation best-in-class compounds in ophthalmology and other potential therapeutic areas since late 2021. Compared with the traditional intravitreal needle injection, DotBody's new technology can greatly reduce the pain of patients and effectively reduce the risk of complications caused by eye injections.

In addition, the Group is committed to the research of innovative delivery technology for oral drugs of peptide drugs to solve many pain points caused by traditional single drug delivery. The Group has been collecting data for the 3rd generation oral form of Uni-PTH, which is complementary to the 2nd generation Uni-PTH pre-filled injection pen. This product can further enhance the Group's competitiveness in the endocrine field and offers a more diverse option for osteoporosis patients. Meanwhile, the oral dosage form of Uni-GLP-1 is under development, with preliminary research indicating its superior bioavailability and efficacy in weight loss and liver health. In 2023, the Group is in preparation for animal testing to further evaluate its bioavailability and pharmacokinetics. The clinical work of Uni-GLP-1 injection pen has been undergoing as scheduled. Through these efforts, the Group aims to further diversify the formulation choices of the Group's marketed and future products, providing better solutions that meet the evolving needs of patients.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's bank deposits, bank balances and cash amounted to approximately HK$98,216,000. The Group had total assets of approximately HK$292,471,000 (as at 31 December 2021: HK$267,593,000), and current assets of approximately HK$200,341,000 (as at 31 December 2021: HK$201,665,000), while current liabilities were at HK$90,255,000 as at 31 December 2022 (as at 31 December 2021: HK$92,301,000). The total current liabilities to total assets ratio is 30.9% (as at 31 December 2021: 34.5%). The Group's major interest and operations are in the PRC. The Group also contracts with suppliers for goods and services that are denominated in Renminbi ("**RMB**"). The Group does not hedge its foreign currency risks as the rate of exchange between Hong Kong dollar and RMB is managed within a narrow range.

CHARGES ON ASSETS

As at 31 December 2022, the Group did not have any charge on its assets (2021: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As of 31 December 2022, the Group employed 370 employees, including 36 employees in the PRC R&D department, 193 employees in the PRC production department, 81 employees in the PRC commercial office and nine managers and four R&D employees in the Hong Kong headquarters. The Group has adopted a competitive remuneration package for its employees to attract and retain top talent. Promotion and salary increments are assessed based on performance. Share options may also be granted to staff with reference to the individual's performance.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (For the year ended 31 December 2021: Nil).

AUDIT COMMITTEE

The audit committee currently comprises the three independent non-executive Directors, namely Mr. Chow Kai Ming, Mr. Ren Qimin and Mr. Ma Qingshan. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022.

The Company's auditor BDO Limited has reported on the financial statements of the Group for the current and prior year. The auditor's reports were unqualified, and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports.

COMPLIANCE WITH THE CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Specific enquiry has been made of all the directors of the Company and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this announcement, the Company has maintained sufficient public float as required under the Listing Rules during the year under review and up to the date of this announcement.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2022, the Group did not make any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS, SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Saved as disclosed herein, the Group did not make any material acquisitions and disposals of assets, subsidiaries, associated company and joint ventures during the year ended 31 December 2022.

CONNECTED TRANSACTIONS

R&D Cooperation Agreement

On 4 January 2022, Uni-Bioscience Pharm Company Limited ("**Uni-Bioscience Pharm.**"), an indirect wholly-owned subsidiary of the Company, and Baocui Biotechnology Co., Ltd. ("**Baocui**") entered into a research and development cooperation agreement (the "**R&D Cooperation Agreement**") in relation to the Project to jointly develop the New Project Materials for medical aesthetics purposes (the "**Project**"). The expected total amount to be contributed by Uni-Bioscience Pharm. for the Project is approximately RMB4.9 million (equivalent to approximately HK$6.0 million) taking into account the scope and scale of the Project.

As Baocui is an associate of Mr. Kingsley Leung ("**Mr. Leung**"), an executive Director and Chairman of the Board, Baocui is a connected person of the Company and accordingly the transactions contemplated under the R&D Cooperation Agreement constitute a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

Details of the Cooperation Agreement are set out in the announcement of the Company dated 4 January 2022.

Lease Contract

On 5 May 2022, Guangdong Watsin Genetic Engineering Development Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into the Lease Contract with Global Cosmetic (China) Company Limited (the "**Landlord**") in respect of the Lease of the Premises for a term of ten years commencing on 1 May 2022 and ending on 30 April 2032 (both days inclusive) for the Group's certain new production facilities, pursuant to Lease Contract at a total aggregated value of consideration payment is approximately RMB5.39 million (equivalently to approximately HK$6.45 million). The payment of the rent will be funded by the internal resources of the Group.

The Landlord is ultimately owned as to 100% by Madam Judy Lau ("**Ms. Lau**"), the mother of Mr. Leung. Accordingly, the Landlord is an associate of Ms. Lau who is a connected person of the Company, and thus and Landlord is a connected person of the Company under the Listing Rules.

Details of the Lease Contract are set out in the announcement of the Company dated 5 May 2022.

WTGL Lease Agreement

On 23 December 2022, 深圳市華生元基因工程發展有限公司 (Shenzhen Watsin Genetech Limited*) ("**WTGL**"), an indirect wholly-owned subsidiary of the Company, entered into a lease agreement (the "**WTGL Lease Agreement**") with 深圳市同創生物工程有限公司 (Shenzhen Tongchuang Biological Engineering Co., Ltd.*) ("**WTGL B**") in respect of the lease of the Premises (as defined below) for a term of two years commencing on 1 January 2023 and ending on 31 December 2024 (both days inclusive) for the Group's certain production facilities.

The Premises includes the entire 1st floor, 2nd floor, 4th floor and the rooftop and part of the 3rd floor of the building, with a total gross floor area of 5,685.47 sq. m., situated at a land parcel located at No.7, Keji Middle 1st Road, Nanshan district, Shenzhen, the PRC (the "**WTGL Land**").

The total consideration is approximately RMB5.46 million (approximately HK$6.11 million) in aggregate. WTGL is responsible for the water and electricity fees and other amenities incurred during the term. The rent was determined after arm's length negotiations between WTGL B and WTGL, taking into consideration of the prevailing market price of comparable premises in the vicinity of the Premises. The payment of the rent will be funded by the internal resources of the Group.

WTGL B is a limited liability company established in the PRC and separated from WTGL pursuant to the Split-off (分立) undertaken by WTGL whereby the assets and liabilities will be taken up by two entities, namely, the surviving WTGL and WTGL B separately, which was completed on 29 May 2019 (the "**WTGL Split-off**"). Pursuant to the transactions contemplated under the disposal of the WTGL Land and property rights of the buildings constructed on the WTGL Land and all the equity interest in WTGL B (the "**WTGL Disposal**"), the titles of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land would be transferred to WTGL B and upon such transfer, all the equity interest in WTGL B (the "**WTGL Sale Shares**") would be transferred to Greater Bay Capital Limited (the "**Purchaser B**"). Purchaser B is a company incorporated in BVI with limited liability which is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, as at the date of the WTGL Lease Agreement, the ultimate beneficial owners of Purchaser B are (i) as to 60% by Madam Judy Lau, the mother of Mr. Leung, an executive Director and Chairman of the Board; (ii) as to 10% by Mr. Chen Dawei, an executive Director; (iii) as to 15% by an associate of FUTEC Financial Limited, a substantial shareholder of the Company; and (iv) as to the remaining 15% by two individuals each of whom is a third party independent of the Company and the connected persons of the Company. Accordingly, by virtue of the relationship between the parties as elaborated above, each of WTGL B and Purchaser B is a connected person of the Company under the Listing Rules. Hence the transaction contemplated under the WTGL Lease Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

Details of the WTGL Lease Agreement are set out in the announcement of the Company dated 23 December 2022.

Delay in completion of WTGL SP Agreement

Pursuant to the share transfer agreement dated 16 November 2018 entered into between Zethanel Properties Limited ("**Vendor B**") (an indirect wholly-owned subsidiary of the Company) and Purchaser B in relation to the WTGL Disposal (the "**WTGL SP Agreement**") (as supplemented by the supplemental agreement dated 21 December 2021), the last date of which all the conditions precedent to the completion of the disposal of the WTGL Sale Shares (the "**WTGL Sale Shares Completion Long Stop Date**") shall be fulfilled, is on 31 December 2022 (or such other date as Vendor B and Purchaser B may agree in writing).

Due to the new additional requirements on the part of WTGL B as prescribed by the relevant government authority, additional time was required for the transfer of the title of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land to be completed, which is one of conditions precedent to the completion of the disposal of the WTGL Sale Shares (the "**WTGL Sale Shares Completion**").

As the time required for WTGL B to fulfil the additional requirements has taken longer than originally expected, to allow sufficient time for WTGL B to be ready for the Group to transfer the title of the land use rights of the WTGL Land and property rights of the buildings constructed on the WTGL Land and proceed to WTGL Sale Shares Completion, the parties to the WTGL SP Agreement entered into a supplemental agreement on 23 December 2022 to extend the WTGL Sale Shares Completion Long Stop Date to a date falling on or before 31 December 2023 (or such other date as Vendor B and Purchaser B may agree in writing).

Details of the extension of the WTGL Sale Shares Completion Long Stop Date are set out in the announcement of the Company dated 23 December 2022.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Kingsley LEUNG, aged 36, has been appointed as an executive director of the Company since 28 February 2014, appointed as the chairman ("**Chairman**") of the Board and the chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 13 January 2017. Mr. Leung joined the Company on 8 July 2013 as Business Development Manager. Mr. Leung graduated with honours with a bachelor's degree in Biochemistry from Imperial College London in July 2008 and obtained a master's degree in Pharmacology from the University of Oxford in September 2009. Mr. Leung is currently a Chartered Financial Analyst and a member of The Hong Kong Society of Financial Analysts. He also holds a Professional Diploma in Corporate Governance and Directorship and is an associate member of the Hong Kong Institute of Directors. He is currently admitted to Tsinghua-INSEAD Executive MBA Programme. Mr. Leung has extensive experience in investment banking and business development in the biotechnology industry.

In 2016 and 2017, Mr. Leung has been awarded and affirmed by the industry and media in diversified ways. He was appointed as the vice-president of the Young Innovation and Development Alliance (YIDA, non-profit organization) in Hong Kong, and accepted the Entrepreneur of the Year 2017 issued by Capital Magazine. Moreover, Mr. Leung was presented an award for world outstanding leaders by Yazhou Zhoukan in 2016 and also was the Young Industrialist Awards of Hong Kong 2020.

Mr. CHEN Dawei, aged 53, has been appointed as an executive director of the Company and the vice-chairman of the Board with effect from 13 January 2017. Mr. Chen obtained an Executive Master's Degree in Business Administration (major in China-America Finance) from Peking University and a Master's Degree in Business Administration from the National University of Singapore. Mr. Chen has over 20 years of experience in enterprise management, capital market and merger and acquisition. He had been the chairman, chief executive officer, executive director and vice-chairman of China Everbright Water Limited (formerly known as HanKore Environment Tech Group Limited) from May 2011 to February 2016, the shares of which are listed on the Main Board of the Singapore Exchange Limited and the sole water business platform of China Everbright Group Ltd. He is currently the executive partner of a Chinese equity investment fund and the chairman of a Singapore capital management company.

Mr. ZHAO Zhi Gang, aged 62, has been appointed as an independent non-executive director of the Company with effect from 1 April 2014 and re-designated as an executive director of the Company and chief executive officer of the Company with effect from 8 April 2019. Mr. Zhao holds a bachelor's degree in Economics from the Peking University and a master's degree in Professional Accounting from the University of Hartford, Connecticut, United States of America ("**U.S.**"). Mr. Zhao is a U.S. certified public accountant and a fellow of the American Institute of Certified Public Accounts. Mr. Zhao has over 20 years of experience in corporate finance and audit practice with various publicly listed companies and Pricewaterhouse Coopers in the U.S. and in China.

Mr. Zhao was the CFO of JMU Limited, whose shares are listed on the NASDAQ Stock Exchange ("**NASDAQ**") from 2014 to 2018. Previously, Mr. Zhao was also the CFO of Borqs Beijing Limited from 2012 to 2014, the CFO of Kingmed Center for Clinical Laboratories from 2011 to 2012, the CFO of Simcere Pharmaceutical Group (whose shares was listed on the New York Stock Exchange) from 2006 to 2011. Prior to that, Mr. Zhao was the CFO of Sun New Media Group Limited, a NASDAQ-listed company, from 2005 to 2006. Before that, Mr. Zhao had also held senior financial positions with several publicly listed companies in the U.S. and was an investment consultant with Beijing International Trust and Investment Company.

NON-EXECUTIVE DIRECTOR

Mr. YAU Kwok Wing Tony, aged 48, has been appointed as non-executive director of the Company with effect from 8 April 2019. Mr. Yau obtained a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University with first class honors in November 1996. Mr. Yau is a certified public accountant (CPA) of the Hong Kong Institute of Certified public Accountants.

Mr. Yau has over 20 years of experience in management, capital market and investment banking. Mr. Yau is currently the chief executive officer of Futec International Holdings Limited and HeungKong Financial Group Limited, each an affiliate of FUTEC Financial Limited, a substantial shareholder of the Company. Futec International Holdings Limited and HeungKong Financial Group Limited are members of HeungKong Group, a conglomerate with foothold in the Greater China region with business segments ranging from financial, real estate, healthcare, trade logistics, education, etc.. Prior to that, Mr. Yau was a managing director of Global Investment Banking of Deutsche Bank, a company principally engaged in investment banking, from May 2006 to January 2017. From August 2000 to May 2006, Mr. Yau was the vice president of the investment banking department of BNP Paribas Capital (Asia Pacific) Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Kai Ming, aged 57, has been appointed as independent non-executive director of the Company with effect from 1 April 2016. Mr. Chow is currently the chairman of both the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee. Mr. Chow has more than 28 years of experience in financial management, auditing and tax planning in accounting firm. He holds a Master Degree in Business Administration from Heriot-Watt University and he is a fellow member of Hong Kong Institute of Certified Public Accountants – Practising since 1994. He is also a fellow member of the Association of Chartered Certified Accountants since 1997, the Taxation Institute of Hong Kong since 1999 and certified Tax Advisor since 2010.

Mr. REN Qimin, aged 67, has been appointed as an independent non-executive director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 15 November 2017.

Mr. Ren has more than 26 years of management experience. He was the Deputy Secretary General and Executive Director of the board of directors of the China Association for International Friendly Contact for 10 years, primarily responsible for affairs relating to the Chinese Government and arranging meetings for international governmental agencies, political parties, other commercial organization and senior Chinese governmental authorities. He served as a director and a senior management in several companies since 1993 to present. Previously, Mr. Ren was the senior advisor of the Beijing office of CIGNA Corporation, a global health insurance service company from 1997 to 1999 primarily responsible for government relation affairs. Prior to that, Mr. Ren was also the General Manager of 蓋洛普(中國)諮詢有限公司 (unofficial english translation being Gallup (China) Consulting Limited) which mainly provides market research and polling service, and is a joint-venture set up by a Chinese investor and Gallup Inc. a global performance-management consulting company. Mr. Ren was primarily responsible for assisting it to start its operations in China from 1993 to 1996. Currently, he serves as an executive director of Carta Group Limited, a company principally engaged in international public relations and governmental affairs consultancy service. He obtained a Master Degree in Economics from Anhui University in 1990.

Mr. MA Qingshan ("**Mr. Ma**"), aged 43, has been appointed as independent non-executive director of the Company and the member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 8 April 2019. Mr. Ma obtained a double Bachelor's Degree in Finance and E-commerce from the Peking University, PRC in July 2002. Mr. Ma is qualified as a Certified Financial Analyst (CFA).

Mr. Ma has over 18 years of extensive experience in management and consultation. He once served as consulting director of KPMG Advisory (China) Limited and Accenture (China) Co., Ltd. and a partner of Beijing Yucheng Hengsheng Management Consultating Co., Ltd.. He has also provided management consulting services for fifteen Fortune 500 companies and a number of listed companies and fast-growing enterprises. He has extensive experience in company strategic planning, business modelling and control modelling, digitalization and internet transformation, post-merger integration, enterprise performance management, enterprise investment management, business process optimization and global business development. Mr. Ma is an independent non-executive director of China Hanking Holdings Limited since March 2016, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3788).

SENIOR MANAGEMENT

Mr. AN Wen Du, aged 41, is the Head of sales department of the Company from 1 August 2020. He has over 18 years of experience in the pharmaceutical industry. Prior to Uni-Bio Science, Mr. An was responsible for the sales and marketing in Tasly Pharmaceutical Group (600535.SH), a renowned A-share listed company. Mr. An has broad experience in sales channel sourcing, sales forecasting and sales executing, leading the commercialization of several important products, capturing the largest market share in several drug sectors. Mr. An holds a BSc in Science from Henan Agricultural University, an MBA degree from Nankai University.

Dr. WEN Ya Lei, Jacky, aged 59, is the Head of manufacture department of the Company. Dr. Wen has more than 30 years of extensive experience in biotechnology and the development of GMP and GLP facilities, as well as developing new drugs and clinical research projects. Dr. Wen graduated from the South China University of Technologies.

Ms. LI Jing, aged 44, is the Head of R&D department of the company. Post-doctoral Fellow, University of Medicine and Dentistry of New Jersey, USA, Ph.D. in Biochemistry and Molecular Biology, State Key Laboratory of Supramolecular Structures and Materials, Jilin University. Senior Engineer, Over 10 years of experience in research and development of new drugs in the field of cancer and endocrinology, rich experience in application for new drugs of CTA and NDA. Former head of the Institute of Biopharmaceuticals of the Yangtze River Pharmaceutical Group, published more than 20 academic articles and patents.

Mr. DU Kai, aged 42, has been appointed as the financial controller of the Company with effect from 31 March 2022. Mr. Du graduated from Capital University of Economics and Business in 2004 and he has a bachelor's degree in management. Mr. Du has obtained the accountant qualification awarded by the Ministry of Human Resources and Social Security and the Ministry of Finance of the PRC. He also is a member of the China Certified Tax Agents Association. Mr. Du joined the Group in October 2016 and served as the manager of the financial department of Beijing Genetech Pharmaceutical Company Limited, a subsidiary of the Group. He has served as the deputy financial officer of the Group since September 2019. Mr. Du Kai has over 17 years of experience in finance and taxation, especially in financial management of the biopharmaceutical industry.

Mr. ZHAO HuaNan, aged 43, is the Head of Medicine and Registration department of the Company. He graduated from Northeast Forestry University with the master's degree while he also obtained MBA from the Harbin Institute of Technology University, he has won 6 awards of provincial and municipal science and technology. He had worked in Harbin Pharmaceutical Group as a clinical director. Many new drug products were invented by him which had brought the billions of sales for the company. He has over 7 years of pharmaceutical R&D experiences and over 17 years of clinical R&D experiences in well-known big pharmaceutical companies.

Ms. TIAN Wei, aged 40, is the Head of HR and administration department of the Company. She graduated from Chengdu University of Technology with a bachelor's degree in industrial design. She has obtained the qualification certificate of director of human resources legal affairs and the qualification certificate of senior manager of human resources issued by the human resources and social security department. She has over 16 years of experience in human resources administration and management.

Corporate Governance Report

The Group is committed to maintaining and improving the quality of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The directors ("**Directors**") of the Company believe that good corporate governance practices are increasingly important for maintaining and promoting investor confidence and for stable growth of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. The Board believes that such commitment will in the long term serve to enhance the Shareholders' value. The Company has applied the principles and adopted all code provisions, where applicable, as set out in the Corporate Governance Code ("**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on Stock Exchange (the "**Listing Rules**") as its own code of corporate governance.

During the year ended 31 December 2022, the Directors consider that the Company has applied the principles and complied with all applicable code provisions set out in the Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2022.

THE BOARD OF DIRECTORS

The Board currently consists of seven members, including three executive Directors, one being the Chairman, one non-executive Director and three independent non-executive Directors. One of the independent non-executive Directors has the professional and accounting qualifications as required by the Listing Rules.

The Board comprises the following Directors:

Executive directors

Mr. Kingsley LEUNG *(Chairman)*
Mr. CHEN Dawei *(Vice-chairman)*
Mr. ZHAO Zhi Gang

Non-executive director

Mr. YAU Kwok Wing Tony

Independent non-executive directors

Mr. CHOW Kai Ming
Mr. REN Qimin
Mr. MA Qingshan

The Chairman of the Board is Mr. Kingsley LEUNG. The principal function of the Board is to formulate strategy and to monitor and control operating and financial performance in pursuit of the strategic objectives of the Group. The Board, led by the Chairman, is vested with full responsibility for setting objective and business development plans, overseeing the processes that management has in place to identify business opportunities and risks, considering and determining major acquisition and disposal and assuming responsibility for corporate governance.

THE BOARD OF DIRECTORS (CONTINUED)

The management is responsible for implementing the strategies and plans adopted by the Board. Executive Directors and management executives meet monthly to review the performance of the businesses of the business units and of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

There is no other financial, business, family or other material/relevant relationship amongst the Directors. With a wide range of expertise and a balance of skills, the independent non-executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive Director an annual confirmation of their independence and is satisfied about their independence up to the date of this report. The independent non-executive Directors are explicitly identified in all corporate communications.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in the furtherance of their duties. When the Board considers any material proposal or transaction in which a substantial shareholder of the Company or a Director has a conflict of interest, a Board meeting is held and only those executive and independent non-executive Directors who have no interest in the transaction can be counted as quorum and entitled to vote at such board meeting. At the meeting, the Director who has interests shall declare his or her interest and abstain from voting.

All Directors have participated in appropriate continuous professional development activities by attending training courses and reading materials relevant to the Company's business or to the Directors' duties and responsibilities. According to the records provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2022 is as follows:

	Type of continuous professional development activities
Kingsley LEUNG	A, B, C
CHEN Dawei	A, B, C
ZHAO Zhi Gang	A, B, C
YAU Kwok Wing Tony	B, C
CHOW Kai Ming	B, C
REN Qimin	B, C
MA Qingshan	B, C

Notes:

A Reading materials, journals and updates relating to the business and industry development
B Reading materials relevant to the latest development of the Listing Rules and other applicable regulatory requirement
C Attending seminars and/or conferences and/or forums

THE BOARD OF DIRECTORS (CONTINUED)

All Directors are committed to devote sufficient time and attention to the affairs of the Group. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations. Directors are reminded to notify the Company in a timely manner of any changes of such information.

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

The Board meets regularly throughout the financial period to review the overall strategy and to monitor the operation as well as the financial performance of the Group. The Board is supplied with relevant information by the management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular Board meeting. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting in consultation with all Directors. Notice of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying materials in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and meetings of the Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to materials and related materials, and are provided with adequate information on a timely manner, which enables the Board to make an informed decision on matters placed before it.

All Board meetings held during the year ended 31 December 2022 involved the active participation, either in person or through other electronic means of communication, of a majority of the Directors.

Set out below is a summary of the attendance of Directors at the board meetings and general meeting during the year ended 31 December 2022.

	Number of attendance	
	General meeting	**Board meetings**
Executive Directors		
Kingsley LEUNG	1/1	4/4
CHEN Dawei	1/1	4/4
ZHAO Zhi Gang	1/1	4/4
Non-Executive Director		
YAU Kwok Wing Tony	1/1	4/4
Independent Non-executive Directors		
CHOW Kai Ming	1/1	4/4
REN Qimin	1/1	4/4
MA Qingshan	1/1	4/4

CHAIRMAN AND CHIEF EXECUTIVE

Under the code provision C.2.1 there is a segregation of duties between the Chairman's responsibility for leadership and management of the Board and the Group's strategies, and the responsibility of the Chief Executive Officer is to develop business objectives and budgets and to implement the Group's strategies. Such division of responsibilities helps to reinforce their accountability and independence. During the year ended 31 December 2022, the roles of Chairman and the Chief Executive Officer are separate. Mr. Kingsley Leung is the Chairman while Mr. Zhao Zhi Gang is the Chief Executive Officer.

NON-EXECUTIVE DIRECTORS

The terms of the non-executive Director and independent non-executive Directors are as follows:

Non-executive Director

(1) Mr. YAU Kwok Wing Tony was appointed for a term of 3 years commencing from 8 April 2022.

Independent non-executive Directors

(1) Mr. CHOW Kai Ming was appointed for a term of 3 years commencing from 1 April 2022.
(2) Mr. REN Qimin was appointed for a term of 3 years commencing from 15 November 2020.
(3) Mr. MA Qingshan was appointed for a term of 3 years commencing from 8 April 2022.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") was established in 2001. The Audit Committee comprised three independent non-executive Directors, namely Mr. CHOW Kai Ming, Mr. REN Qimin and Mr. MA Qingshan. As at the date of this report, Mr. CHOW Kai Ming was the chairman of the Audit Committee. Mr. CHOW Kai Ming has the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.21 of the Listing Rules for the purpose of such appointment.

The Audit Committee has adopted written terms of reference to conform to the provisions of the CG Code.

The meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary.

The main duties of the Audit Committee are as follows:

— To consider the appointment of the external auditors, the audit fee, and any question of resignation or dismissal
— To discuss with the external auditors the nature and scope of the audit
— To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard
— To develop and implement policy on the engagement of an external auditors to supply non-audit services
— To review the Group's interim and annual financial statements before submission to the Board
— To discuss problems and reservations arising from the interim and final audits and any matters that the external auditors may wish to discuss
— To review the external auditors' management letter and the management's response
— To review the Group's statement on risk management and internal control system prior to endorsement by the Board
— To discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems
— To consider the major findings of any internal investigation and the management's response
— To consider other topics, as defined by the Board

AUDIT COMMITTEE (CONTINUED)

The Audit Committee held two meetings during the year ended 31 December 2022. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Number of attendance
CHOW Kai Ming *(Chairman)*	2/2
REN Qimin	2/2
MA Qingshan	2/2

Throughout the year under review, the Audit Committee discharged its responsibilities by reviewing and discussing the interim financial results, annual financial results and internal control system of the Group.

REMUNERATION COMMITTEE

The Company established a remuneration committee ("**Remuneration Committee**") on 4 November 2005 with written terms of reference in compliance with the CG Code. The Remuneration Committee comprised one executive Director, namely Mr. Kingsley LEUNG, and three independent non-executive Directors, namely Mr. CHOW Kai Ming, Mr. REN Qimin and Mr. MA Qingshan. As at the date of this report Mr. CHOW Kai Ming was the chairman of the Remuneration Committee. No Directors will be involved in any discussion in connection with his own remuneration.

The main duties of the Remuneration Committee are as follows:

— To determine the remuneration policy of the Group
— To make recommendations to the Board on the remuneration package of individual executive Directors and senior management
— To review and approve all equity based plans
— To review the appropriateness and relevance of the remuneration policy
— To approve the performance related pay schemes operated by the Group
— To review all share incentive plans for approval by the Board
— To review annually and take note of the remuneration trends of the Group and obtain reliable and up-to-date information about remuneration packages of other closely comparable companies
— To review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules

It is the Company's policy that the remuneration package of each Director shall be determined by reference to their experience, qualification and the time expected to be devoted by them on the affairs of the Company.

REMUNERATION COMMITTEE (CONTINUED)

The Remuneration Committee meets regularly to determine the policy for the remuneration of the Directors, assess performance of the executive Directors and senior management of the Group and approve the terms of the executive Directors' service contracts. During the year ended 31 December 2022, the Remuneration Committee has assessed the performance of the executive Directors, reviewed and discussed the remuneration package of the executive Directors, the remuneration of the non-executive director, independent non-executive Directors and senior management and matters relating to share schemes under Chapter 17 of the Listing Rules. One Remuneration Committee meeting was held during the year ended 31 December 2022. The individual attendance of each member is set out below:

Members of the Remuneration Committee	Number of attendance
CHOW Kai Ming *(Chairman)*	1/1
Kingsley LEUNG	1/1
REN Qimin	1/1
MA Qingshan	1/1

The remuneration of Directors is determined with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. Details of emoluments of Directors for the year ended 31 December 2022 are set out in note 14 to the consolidated financial statements. The number of senior management of the Group whose remuneration for the year ended 31 December 2022 fell within the following band is as follows:

	Number of senior management
Nil to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	–
HK$2,500,001 to HK$3,000,000	–
HK$3,000,001 to HK$3,500,000	–

NOMINATION COMMITTEE

The Company established a nomination committee ("**Nomination Committee**") on 4 November 2005. The Nomination Committee has adopted written terms of reference to conform to the CG Code. The Nomination Committee comprised one executive Director, namely Mr. Kingsley LEUNG, and three independent non-executive Directors, namely Mr. CHOW Kai Ming, Mr. REN Qimin and Mr. MA Qingshan. As at the date of this report, Mr. Kingsley LEUNG was the chairman of the Nomination Committee.

The Nomination Committee shall meet before the annual general meeting of the Company, or at other times as required by the chairman of the Nomination Committee.

The main duties of the Nomination Committee are as follows:

- To determine the policy for the nomination of Directors
- To review the structure, size and composition of the Board regularly and to make recommendations to the Board with regard to any changes required
- To evaluate the balance of skills, knowledge and experience of the Board
- To identify and nominate any candidate for the Board's approval
- To make recommendations for the appointment and removal of the Chairman or any Director
- To make recommendations to the Board on the re-appointment of any non-executive Director at the conclusion of his specified term of office
- To report to the Board on its proceedings after each meeting

During the year ended 31 December 2022, the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independent non-executive Directors and made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. One Nomination Committee meeting was held during the year ended 31 December 2022. The individual attendance of each member is set out below:

Members of the Nomination Committee	Number of attendance
Kingsley LEUNG *(Chairman)*	1/1
CHOW Kai Ming	1/1
REN Qimin	1/1
MA Qingshan	1/1

The Company adopted the board diversity policy in June 2014 and is available on the website of the Company on http://www.uni-bioscience.com. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate, board diversity aspects and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External independent professionals might be engaged to carry out selection process when necessary.

NOMINATION POLICY

The Board has adopted the nomination policy (the "**Nomination Policy**") on 31 December 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including recommendations from the Board members, management, professional recruitment agency and the Shareholders;
(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;
(3) reviewing the profiles of the shortlisted candidates and interview them; and
(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(1) to develop and review the Company's policies and practices on corporate governance and make recommendations;
(2) to review and monitor the training and continuous professional development of directors and senior management;
(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
(5) to review the Company's compliance with the code and disclosure in the corporate governance report.

COMPANY SECRETARY

Ms. HO Wing Yan was appointed as the company secretary of the Company with effect from 31 March 2022. All Directors have access to the advice and services of the company secretary. During the year ended 31 December 2022, Ms. HO Wing Yan has taken no less than 15 hours of relevant professional trainings respectively to update her skills and knowledge.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by all Directors. A copy of the Model Code is sent to each Director first on his or her appointment and a reminder is sent to each Director to remind him or her about the blackout period during which he or she cannot deal in the securities of the Company at the appropriate time prior to board meetings to approve the Company's financial results.

Having made specific enquiry to all Directors, all Directors confirmed they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. In the opinion of the directors, the size of the Group does not warrant setting up an internal audit department. However, during the year under review, the Board has conducted a review on the effectiveness of the internal control system of the Group, namely, management supervision, compliance with the CG Code, and major areas of the internal control systems and procedures to assure the Board that the system of internal control is functioning as intended. The results of the internal control review were submitted to the Board for their consideration. The Board considers that the Company's internal control systems are adequate and effective.

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

Risk identification

- Identify risks that may potentially affect the Group's business and operations.

Risk assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

Response to findings of risk assessment

- Prioritise the risks by comparing the results of the risk assessment; and
- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk monitoring and reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;
- Enhance the risk management strategies and internal control processes in case of any significant change of situation; and
- Report the results and effectiveness of risk management and internal control to the Board regularly.

The Board has, through the Audit Committee, conducted annual review of the effectiveness of the risk management and internal control systems of the Group. The review covered the budget of the Group's accounting and financial reporting function, adequacy of resources, staff qualifications and experience and training programmers during the year ended 31 December 2022. The Board considers that the Group's risk management and internal control systems are adequate and effective.

The Company has also established and maintained appropriate procedures for the handling and dissemination of inside information. Disclosure policy was adopted by the Company, providing a general guide to directors, senior management and relevant employees of the Group in the handling and/or monitoring of inside information disclosure pursuant to the relevant rules and regulations.

AUDITORS' REMUNERATION

The Group was charged approximately HK$1.7 million for audit services provided by BDO Limited in respect of the year ended 31 December 2022 and no non-audit services were provided.

DIVERSITY POLICY

The Company recognizes and embraces the benefits of having a diverse Board and sees diversity at Board level as an essential element in achieving a sustainable and balanced development of the Company. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industrial experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole in order for the Board to be effective. The selection process of the Board members will include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

In respect of the gender diversity of the Board, as at the date of the Annual Report, all Directors are male which consist of a single gender board for the time being. The Company is well-aware of the requirements under the new CG Code where diversity on the Board needs to be achieved and is more than willing to fulfill the requirements by appointing a director of a different gender no later than 31 December 2024. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. It is expected that the ratio of female Directors will reach more than 10% in the following years. The Company will achieve this goal through active nomination of suitable candidates with no gender limitation to be newly appointed Directors in the next few years.

Moreover, the current gender ratio of the company workforce (including senior management) is 100 males per 100 females, which has increased from 70 males per 100 females of past year. Hence, the Company has already achieved gender diversity and will continue focusing on the area because workforce gender diversity is associated with resources that can provide a sustained competitive advantage to the company, which include market insight, creativity and innovation, and improved problem-solving. Men's and women's different experiences may provide insights into the different needs of male and female customers. Further, men and women may have different cognitive abilities, such as men's proficiency in mathematics and women's proficiency in verbal and interpersonal skills. Therefore, a mix of cognitive abilities in a gender diverse team may enhance the team's overall creativity and innovation as proved by research. Moreover, a gender diverse team produces high quality decisions. Although there may be some mitigating circumstances where gender diversity can be very hard to achieve (for instance, male workers are more commonly seen regarding physical labor and female workers are more often seen during psychological consultation), the Company will keep focusing on the workforce gender diversity to maintain its current strength as well as to further improve its competitivity in the future.

SHAREHOLDERS' RIGHTS

The Board recognizes the importance of good communications with all Shareholders. The Company's annual general meeting for the year ended 31 December 2021 ("**AGM**") was a valuable forum for the Board to communicate directly with the Shareholders. The Chairman of the Board and the chairman of each of the Audit, Remuneration and Nomination Committees together with the external auditors were also present at the AGM to answer Shareholders' questions. The Company has also published a Shareholders communication policy on the website of the Company. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong at Unit 502, 5/F, No. 20 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

All Shareholders' circulars set out the relevant information of the proposed resolutions to be passed at general meetings. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

Pursuant to Article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, stating the objects of the meeting and deposited at the principal place of business of the Company in Hong Kong at Unit 502, 5/F, No. 20 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

Save as the procedures for Shareholders to convene a general meeting as set out above, there are no other provisions allowing Shareholders to put forward proposals at the general meeting under the articles of association of the Company or under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

A key element of effective communication with Shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced all its inside information, announcement, interim and annual results in a timely manner in compliance with the Listing Rules. The Company also maintains a company website as a channel to let Shareholders know the Company's news and raise questions through emails and telephone.

CONSTITUTIONAL DOCUMENTS

On 23 March 2022, the Board proposed to amend the memorandum and articles of association of the Company (the "**Proposed Amendments**"). In view of the Proposed Amendments, the Board proposed to adopt an amended and restated the memorandum and articles of association (the "**New Memorandum and Articles of Association**"). The New Memorandum and Articles of Association was adopted by the shareholders of the Company (the "**Shareholders**") at the annual general meeting of the Company held on 16 May 2022. For details, please refer to the announcements of the Company dated 23 March 2022 and 16 May 2022, the circular of the Company dated 8 April 2022 and the New Memorandum and Articles of Association published on 16 May 2022.

Save as disclosed herein, there was no changes in the Company's constitutional documents during the year ended 31 December 2022.

SHAREHOLDERS' COMMUNICATION POLICY

Purpose

The Company recognises the importance of providing current and relevant information to its Shareholders. This shareholders' communication policy (the "**Policy**") aims to set out the provisions with the objective to ensure that the Shareholders and potential investors are provided with equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company.

General Policy

The Board shall maintain an on-going dialogue with Shareholders and will regularly review the Policy to ensure its effectiveness.

Information is communicated to the Shareholders as well as the stakeholders through periodic disclosure through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to The Stock Exchange of Hong Kong Limited ("**HKEx**") and other corporate publications on the HKEx's website and corporate communications on the HKEx website (www.hkex.com.hk) and the Company's website (http://www.uni-bioscience.com).

Effective and timely dissemination of information to Shareholders shall be ensured at all times. Any questions, requests and comments can be addressed to the Company by mail to Unit 502, 5/F, No. 20 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong or by email to info@uni-bioscience.com or through the Company's share registrar.

The Company believes that communication with Shareholders by electronic means, particularly through its website, is an efficient way to distribute information in a timely and convenient manner. Shareholders are encouraged to access to the corporate communications posted on the Company's website to help reduce the quantity of printed copies and hence reduce the impact on the environment.

The Company's website will be updated with material posted to the HKEx website immediately thereafter. Such material includes but not limited to financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

The Company has reviewed the Policy conducted for the year ended 31 December 2022 and considered that the Policy has been well implemented and effective.

DIVIDEND POLICY

The Company has adopted a dividend policy and the declaration and recommendation of dividends are subject to the decision of the Board after considering the Company's ability to pay dividends. The Board has complete discretion on whether to declare and pay an interim dividend and/or to recommend a final dividend, subject to Shareholders' approval, where applicable.

The Directors will take into consideration, among other things, the financial results, operations, liquidity and capital requirements of the Group, general business conditions and strategies, future business plans of the Group and legal restrictions when determining whether or not to recommend and declare dividends. The Board will also review and reassess the dividend policy and its effectiveness on a regular basis or as required.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2022, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the consolidated financial statements of the Company for the year ended 31 December 2022.

BUSINESS ETHICS

The Company is committed to high standard of business ethics and integrity. A long established code of conduct is enforced on all employees of the Group. No personal gifts or other forms of advantages from any person or organization doing business with the Group can be accepted by any employee. Business partners and suppliers are reminded from time to time that our company's policy forbids our employees or agents from accepting any gift from them.

The Group has developed a code of business conduct for its vendors and suppliers. All the vendors and suppliers of the Group are required to maintain a safe and healthy workplace, fair and ethical employment practice and ensure that proper environmental protection measures are in place. The Group also closely monitors that all the relevant codes of conduct stipulated by our major licensors and customers are strictly followed by its vendors and suppliers.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Group (comprising the Company and its subsidiaries) for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES, SEGMENTAL INFORMATION AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities of subsidiaries are set out in Note 38 to the consolidated financial statements. Segmental information of the Group is disclosed in Note 6 to the consolidated financial statements.

Further discussion and analysis of these principal activities and a review of the business and performance of the Group for the year under review, including a discussion of the principal risks and uncertainties facing the Group and an indication of the likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 75.

DIVIDEND

The Directors do not recommend the payment for a dividend for the year ended 31 December 2022.

SHARE CAPITAL AND RESERVES

Details of movements in the share capital of the Company during the year under review are set out in Note 29 to the consolidated financial statements.

Movements in reserves of the Group and the Company during the year under review are set out in the consolidated statement of changes in equity on page 78 and Note 31 to the consolidated financial statements.

In accordance with the Companies Law (revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital accounts.

As at 31 December 2022, the Company has no reserves available for distribution, as calculated under the provision of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of Cayman Island (2021: nil).

SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2022 are set out in Note 38 to the consolidated financial statements respectively.

DIRECTORS

The Directors of the Company during the year ended 31 December 2022 and up to the date of this report were:

Executive Directors

Mr. Kingsley LEUNG *(Chairman)*
Mr. CHEN Dawei *(Vice-chairman)*
Mr. ZHAO Zhi Gang *(Chief executive officer)*

Non-executive Director

Mr. YAU Kwok Wing Tony

Independent non-executive Directors

Mr. CHOW Kai Ming
Mr. REN Qimin
Mr. MA Qingshan

In accordance with Articles 87(1) and 87(2) of the Company's articles of association, each of Mr. YAU Kwok Wing Tony, Mr. CHOW Kai Ming and Mr. REN Qimin will retire by rotation at the forthcoming annual general meeting of the Company ("**Annual General Meeting**") and being eligible, offer themselves for re-election.

Biographical information of each of the Directors is set out in the section headed "Profile of Directors and Senior Management" in this annual report.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Kingsley LEUNG, an executive Director, has entered into a service agreement with the Company for a fixed term of 3 years from 28 February 2020 and shall continue thereafter from year to year.

Mr. CHEN Dawei, an executive Director, has entered in a service agreement with the Company for a term:

(1) in the event that the Company has obtained the necessary approval(s) under the Listing Rules (including Shareholders' approval) on or before 4:00 p.m. on 30 June 2017 ("**Long Stop Date**"), a term of 5 years commencing on 13 January 2017 and shall continue thereafter from year to year; or in the event that Company has not obtained the necessary approval(s) under the Listing Rules (including Shareholders' approval) on or before the Long Stop Date, a term of 3 years commencing on 13 January 2017 and shall continue thereafter from year to year, and is subject to retirement and re-election in accordance with the articles of association of the Company; and

DIRECTORS' SERVICE CONTRACTS (CONTINUED)

(2) entitled to a monthly salary of HK$50,000 and an annual discretionary bonus to be determined by the Board. In addition, under the terms of the service agreement, for every 12 months in which Mr. CHEN served as an executive Director, the Company will, as additional benefit and free of payment by Mr. CHEN, allot and issue 15,000,000 service shares of the Company ("**Service Shares**") to Mr. CHEN. Mr. CHEN shall not be entitled to any pro rata entitlement of the relevant Service Shares in the event he failed to serve as an executive Director for each such 12 months in full.

The above director's term, service agreement and Service Shares issue (as defined and described in the circular of the Company dated 8 June 2017) had been duly approved, confirmed and ratified by the way of poll at the extraordinary general meeting dated 23 June 2017.

Mr. ZHAO Zhi Gang, an executive Director, has entered into a service agreement with the Company for a fixed term of 3 years commencing from 8 April 2019 and shall continue thereafter from year to year.

Each of the non-executive Director and the independent non-executive Directors has been by way of a letter of appointment appointed for a fixed term of 3 years with effect from their respective dates of appointment and subject to renewal upon expiry of the existing term.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in Note 14 to the consolidated financial statements. The Directors' remunerations, bonuses and other compensation are determined or recommended by the remuneration committee of the Board with reference to the Directors' duties, responsibilities and the Group's performance and results.

PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, the Directors for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has taken out and maintained directors' liability insurance during the year under review for the Directors.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's listed securities.

REMUNERATION POLICY

The remuneration policy of the Group to reward its employees is based on individual performance, qualifications and competence displayed.

The emoluments of the Directors are reviewed by the Remuneration Committee, having regarded to the Company's operating results, individual performance and comparable market statistics.

The Company has a share option scheme in place, of which share options may be granted to eligible persons. Details of the scheme are set out in the section headed "Share Options" of this Directors' report and Note 34 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares ("**Shares**"), underlying Shares and debentures of the Company or any of the its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity	Number of issued ordinary shares	Number of underlying Shares	Total	Approximate percentage of shareholding (Note 8)
Kingsley LEUNG	Beneficial owner and interest of a controlled corporation (Note 2)	1,650,971,464 (L)	29,199,000 (L)	1,680,170,464 (L)	26.40%
YAU Kwok Wing Tony	Beneficial owner and interest held through a controlled corporation (Note 3)	865,040,000 (L)	6,420,000 (L)	871,460,000 (L)	13.69%
CHEN Dawei	Beneficial owner (Note 4)	171,094,438 (L)	10,480,000 (L)	181,574,438 (L)	2.85%
ZHAO Zhi Gang	Beneficial owner (Note 5)	8,055,000 (L)	86,680,000 (L)	94,735,000 (L)	1.49%
CHOW Kai Ming	Beneficial owner (Note 6)	–	9,840,000 (L)	9,840,000 (L)	0.15%
REN Qimin	Beneficial owner (Note 7)	–	8,060,000 (L)	8,060,000 (L)	0.13%
MA Qingshan	Beneficial owner (Note 8)	–	6,420,000 (L)	6,420,000 (L)	0.10%

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying Shares in the Company or its associated corporation(s).

2. These interests consist of: (i) 1,650,971,464 Shares held by Automatic Result Limited ("**Automatic Result**") that is wholly owned by MJKPC Holdings Limited, a family trust of which Mr. Kingsley LEUNG is one of the discretionary objects; and (ii) 29,199,000 underlying shares relating to the share options granted by the Company to Mr. Kingsley LEUNG.

3. The 6,420,000 underlying Shares relating to the share options granted by the Company to Mr. YAU Kwok Wing Tony.

4. These interests consist of (i) 171,094,438 Shares held by Mr. CHEN Dawei; and (ii) 10,480,000 underlying Shares relating to the share options granted by the Company to Mr. CHEN Dawei.

5. These interests consist of (i) 8,055,000 Shares held by Mr. ZHAO Zhi Gang; and (ii) 86,680,000 underlying Shares relate to the share options granted by the Company to Mr. ZHAO Zhi Gang on 12 September 2014, 10 July 2015, 7 October 2016, 16 November 2017, 9 April 2019 and 31 August 2020 respectively.

6. These underlying Shares relate to the share options granted by the Company to Mr. CHOW Kai Ming on 7 October 2016, 16 November 2017 and 31 August 2020.

7. These underlying Shares related to the share options granted by the Company to Mr. REN Qimin on 16 November 2017 and 31 August 2020.

8. These underlying Shares relating to the share options granted by the Company to Mr. MA Qingshan on 31 August 2020.

9. The percentage of shareholding is calculated on the basis of 6,364,768,147 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

To the best knowledge of the Directors after making reasonable enquiry, as at 31 December 2022, shareholders (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Capacity	Number of ordinary shares	Approximate percentage of shareholding (Note 6)
Automatic Result (Note 2)	Beneficial owner	1,650,971,464 (L)	25.94%
Overseas Capital Assets Limited (Note 3)	Beneficial owner	657,180,000 (L)	10.33%
FUTEC Financial Limited	Beneficial owner	865,040,000 (L)	13.59%

Notes:

1. The letter "L" denotes the person's long position in the shares and underlying shares in the Company.

2. Automatic Result Limited is wholly owned by MJKPC Holdings Limited, which is a family trust which Mr. Kingsley LEUNG is one of the discretionary objects.

3. Based on the individual substantial shareholder notice of Overseas Capital Assets Limited filed on 19 June 2014, Overseas Capital Assets Limited is wholly-owned by He Rufeng.

4. The percentage of shareholding is calculated on the basis of 6,364,768,147 Shares in issue as at 31 December 2022.

Save as disclosed above, the Directors were not aware of any other persons who had relevant interests or short positions in the shares or underlying shares in the Company as at 31 December 2022 which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in which a Director or was materially interested, either directly or indirectly, had subsisted at the end of the year or at any time during the year ended 31 December 2022.

CONTRACTS OF SIGNIFICANCE

No contracts of significance between the Company or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries had subsisted as at the end of the year or at any time during the year ended 31 December 2022.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year under review.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

During the year under review, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended under review, the top five customers of the Group together accounted for approximately 32.6% (year ended 31 December 2021: approximately 30.0%) of the Group's total sales for the year while the single largest customer accounted for approximately 11.7% (year ended 31 December 2021: approximately 10.5%) of the Group's total sales during the Year under Review.

The top five suppliers of the Group for the year under review together accounted for approximately 78.7% (year ended 31 December 2021: approximately 83.0%) of the Group's total purchases for the year and the single largest supplier accounted for approximately 59.4% (year ended 31 December 2021: approximately 69.0%) of the Group's total purchases.

None of the Directors, their respective associates or any shareholders of the Company who owns more than 5% of the issued share capital of the Company has any interests in the Group's five largest customers and suppliers.

CONTINGENT LIABILITIES

At 31 December 2022, the Group had no material contingent liabilities.

RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those Hong Kong employees who are eligible to participate in the MPF Scheme, which contributions are made based on a percentage of the employees' basic salaries and the employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme (the "**Central Pension Scheme**", together with the MPF Scheme, the "**Defined Contribution Schemes**") operated by the local municipal government, which these subsidiaries are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Central Pension Scheme. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2021 and 31 December 2022, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2021 and 31 December 2022.

For each of the two years ended 31 December 2021 and 31 December 2022, the Group did not have any defined benefit plan.

Particulars of the retirement benefits schemes of the Group are set out in Note 15 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in the sections headed "Directors' Service Contracts" and "Share Option Schemes" of this report, no equity-linked agreement was entered into by the Company during the year ended 31 December 2022 or subsisted as at 31 December 2022.

SHARE OPTION SCHEMES

2001 Share Option Scheme

To enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group, the Company adopted a share option scheme (the "**2001 Scheme**"), pursuant to a written resolution passed by the then shareholders of the Company on 22nd October 2001 (the "**Adoption Date**"). The Board may, at its absolute discretion, offer to grant to any full time employee of the Group (including directors of the Company) (the "**Eligible Person**"), options to subscribe for shares of the Company.

Subject to certain other provisions of the 2001 Scheme as disclosed in the Company's IPO Prospectus. The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Scheme and under any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue.

Subject to certain other conditions of the share option scheme as disclosed in the Company's IPO Prospectus, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised or outstanding options) to each Eligible Person in any twelve-month period must not exceed 1% of the issued share capital of the Company for the time being.

Pursuant to the 2001 Scheme, an Option may be exercised in whole or in part in the manner provided in the Scheme by a grantee giving notice in writing to the Company at any time during a period commencing one year after the date of the Options, to be notified by the Board of the Company to the grantee, which shall be not less than 3 years nor more than 10 years from the date an Option is granted.

Upon application or acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

The subscription price of options pursuant to the 2001 Scheme is absolute discretion determined by the Board and will not be less than the highest of the following: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share, provided that for the purpose of determining the subscription price of the shares where the shares have been listed on the Stock Exchange for less than 5 business days preceding the date of grant, the issue price of the shares in connection with such listing shall be deemed to be the closing price of the shares for each business day falling within the period before the listing of the shares on the Stock Exchange.

There are no shares available for issue under the 2001 Scheme. The 2001 Scheme was terminated following the adoption of a new share option scheme on 22 September 2006.

SHARE OPTION SCHEMES (CONTINUED)

2006 Share Option Scheme

Pursuant to ordinary resolutions passed by the shareholders of the Company on 22 September 2006, the Company terminated the 2001 Scheme and adopted a new share option scheme (the "**2006 Scheme**"). Under the 2006 Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion grant options to subscribe for shares in the Company to eligible participants ("**Eligible Participants**") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or parttime including any executive director but excluding any non-executive director) (the "**Eligible Employee**") of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest; (ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or class of participants who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the 5 trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 28 days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than 10 years from the date of adoption of the 2006 Scheme.

As at the date of this report, the total number of shares available for issue under the 2006 Scheme is 202,160,000, representing approximately 3.18% of the issued shares of the Company. The number of Shares that may be issued in respect of options granted under 2006 Scheme of the Company during the Year is 202,160,000, representing 3.18% of the weighted average number of Shares of the relevant class in issue of Company for the Year. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the 2006 Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

The Directors consider the 2006 Scheme, with its broadened basis of participation, will enable the Group to reward the employees, directors and other selected participants for their contributions to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth and stability of the Group. The share options are vested immediately on the date of grant.

The 2006 Scheme was terminated following the adoption of a new share option scheme on 26 September 2016.

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme

Pursuant to ordinary resolutions passed by the shareholders of the Company on 26 September 2016, the Company terminated the 2006 Scheme and adopted a new share option scheme (the "**2016 Scheme**"). Under the 2016 Scheme, which is valid for a period of ten years, the Board may, at its discretion grant options to subscribe for Shares to the following participants:

(1) directors and employee of the Company and any of its subsidiaries (including persons who are granted options or awards under the scheme as an inducement to enter into employment contracts with these companies) (**employee participants**);

(2) directors and employee of the holding companies, fellow subsidiaries or associated companies of the Company (**related entity participants**); and

(3) persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long growth of the Group (**service providers**).

The subscription price for the Shares in relation to options to be granted under the 2016 Scheme shall be determined by the Board and shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. The vesting period for options shall not be less than 12 months. The options must be taken up within 21 days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than 10 years from the date of adoption of the 2016 Scheme. The remaining life of the 2016 Scheme is 3 years.

The total number of the Shares which may be issued upon exercise of all options to be granted under the 2016 Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the 2016 Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the 2016 Scheme. The total number of Shares available for issue under the 2016 Scheme is 504,037,012, representing approximately 7.92% of the issued shares of the Company as at the date of this report. Total 143,142,012 options available for grant under the scheme mandate at the beginning and the end of the financial year. The number of Shares that may be issued in respect of options granted under 2016 Scheme of the Company during the Year is 360,895,000, representing 5.67% of the weighted average number of Shares of the relevant class in issue of Company for the Year. The total number of the Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the 2016 Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

The number of Shares that may be issued in respect of options granted under all schemes of the Company during the Year is 563,055,000, representing 8.85% of the weighted average number of Shares of the relevant class in issue of Company for the Year.

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme (Continued)

The Directors consider the 2016 Scheme, with its broadened basis of participation, will enable the Group to reward the employees, Directors and other selected participants for their contributions to the Group and will also assist the Group in its recruitment and retention of high caliber professionals, executives and employees who are instrumental to the growth and stability of the Group. Further details of share options were set out in Note 34 to the consolidated financial statements.

The following table discloses movements in the Company's share options of the 2006 Scheme and 2016 Scheme during the year:

	Number of share options								
	At 1 January 2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2022	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Directors:									
Kingsley LEUNG	2,940,000	–	–	–	–	2,940,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	3,020,000	–	–	–	–	3,020,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	4,640,000	–	–	–	–	4,640,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	6,000,000	–	–	–	–	6,000,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	6,179,000	–	–	–	–	6,179,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
ZHAO Zhi Gang	1,560,000	–	–	–	–	1,560,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	1,160,000	–	–	–	–	1,160,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	1,780,000	–	–	–	–	1,780,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	1,640,000	–	–	–	–	1,640,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	60,000,000	–	–	–	–	60,000,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	20,540,000	–	–	–	–	20,540,000	31 August 2020	31 August 2020 to 30 August 2030	0.126

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme (Continued)

	Number of share options								
	At 1 January 2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2022	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
CHOW Kai Ming	1,780,000	–	–	–	–	1,780,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	1,640,000	–	–	–	–	1,640,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
CHEN Dawei	4,060,000	–	–	–	–	4,060,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
REN Qimin	1,640,000	–	–	–	–	1,640,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
YAU Kwok Wing Tony	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
MA Qingshan	6,420,000	–	–	–	–	6,420,000	31 August 2020	31 August 2020 to 30 August 2030	0.126
Employees	10,880,000	–	–	–	–	10,880,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
	20,700,000	–	–	–	–	20,700,000	27 January 2016	27 January 2016 to 26 January 2026	0.172
	34,950,000	–	–	–	–	34,950,000	3 April 2017	3 April 2017 to 2 April 2027	0.1500
	32,214,000	–	–	–	–	32,214,000	9 April 2018	9 April 2018 to 8 April 2028	0.1500
	62,449,000	–	–	–	–	62,449,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	35,780,000	–	–	–	–	35,780,000	2 April 2020	2 April 2020 to 1 April 2030	0.154

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme (Continued)

	Number of share options								
	At 1 January 2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2022	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Service Providers	4,420,000 (Note 1)	–	–	–	–	4,420,000	12 September 2014	12 September 2014 to 11 September 2024	0.230
	33,100,000 (Note 2)	–	–	–	–	33,100,000	23 January 2015	23 January 2015 to 22 January 2025	0.230
	3,080,000 (Note 1)	–	–	–	–	3,080,000	10 July 2015	10 July 2015 to 9 July 2025	0.215
	120,000,000 (Note 3)	–	–	–	–	120,000,000	17 August 2015	17 August 2015 to 16 August 2025	0.237
	1,300,000 (Note 1)	–	–	–	–	1,300,000	27 January 2016	27 January 2016 to 26 January 2026	0.172
	2,680,000 (Note 1)	–	–	–	–	2,680,000	7 October 2016	7 October 2016 to 6 October 2026	0.1714
	2,010,000 (Note 1)	–	–	–	–	2,010,000	3 April 2017	3 April 2017 to 2 April 2027	0.1500
	3,000,000 (Note 4)	–	–	–	–	3,000,000	5 July 2018	5 July 2018 to 4 July 2028	0.1050
	3,300,000 (Note 1)	–	–	–	–	3,300,000	9 April 2019	9 April 2019 to 8 April 2029	0.1600
	35,000,000 (Note 5)	–	–	–	–	35,000,000	2 April 2020	2 April 2020 to 1 April 2030	0.154
	1,093,000 (Note 1)	–	–	–	–	1,093,000	16 November 2017	16 November 2017 to 15 November 2027	0.1574
	563,055,000	–	–	–	–	563,055,000			

SHARE OPTION SCHEMES (CONTINUED)

2016 Share Option Scheme (Continued)

Notes:

(1) These share options were held by persons who were employees of the Group as at the date of grant of share options and became consultants of the Group after they ceased to be employees of the Group (the "**Consultants**"). Each of the Consultants is an independent third party and a financial consultant to the Group. The Consultants have extensive experience in the aspect of taxation and finance and provide interrelated services to the Group. As the Consultants have provided services which contributed to the value of the Group, the Board believes that granting these share options to the Consultants as consideration for its services was align with the objective of the 2016 Scheme.

(2) These share options were granted to a consultant ("**Consultant A**"), who is an independent third party, for being the investment consultant of the Company, offering Hong Kong and PRC investment consultancy services to the Company. As Consultant A has provided services which contributed to the value of the Group, the Board believes that granting these share options to Consultant A as consideration for its services was align with the objective of the 2016 Scheme.

(3) These share options were granted to Consultant A and two other consultants ("**Consultant B**" and "**Consultant C**" respectively), each of them an independent third party, as consideration for their services, as contained in the service agreement entered into between the Group and each of Consultant A, Consultant B and Consultant C respectively. Each of Consultant A, Consultant B and Consultant C was hired to explore investment opportunities and other strategic cooperation plans in PRC. As each of Consultant A, Consultant B and Consultant C has provided services which contributed to the value of the Group, the Board believes that granting these share options to Consultant A, Consultant B and Consultant C as consideration for their services was align with the objective of the 2016 Scheme. Consultant A, Consultant B and Consultant C were granted with 40,000,000 share options each respectively on 17 August 2015.

(4) These share options were granted to a consultant ("**Consultant D**"), who is an independent third party, for being the investment consultant of the Company, offering Hong Kong and PRC investment consultancy services to the Company. As Consultant D has provided services which contributed to the value of the Group, the Board believes that granting these share options to Consultant D as consideration for its services was align with the objective of the 2016 Scheme.

(5) These share options were granted to a consultant ("**Consultant E**") who is an independent third party as consideration for its services, as contained in the service agreement entered into between the Group and Consultant E. Consultant E was hired to help evaluate, recommend and execute a plan in order to optimise the manufacturing cost of the certain product. As Consultant E has provided services which contributed to the profitability of the Group, the Board believes that granting these share options to Consultant E as consideration for its services was align with the objective of the 2016 Scheme.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this Directors' report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

15,000,000 Service Shares were issued on 11 April 2022 pursuant to Mr. Chen Dawei's service agreement.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

EVENTS AFTER REPORTING PERIOD

Saved as disclosed herein, there are no significant subsequent events after the reporting Year.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company's corporate governance principles and practices are set out in the section headed "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

The Company sets up the Audit Committee for the purpose of reviewing and providing supervision over the Company's financial reporting procedures and the internal control system, and maintaining an appropriate relationship with the Company's auditors.

Written terms of reference which govern the authority and duties of the Audit Committee were adopted to comply with the requirements of the code provisions of the CG Code set out in the Listing Rules.

The Audit Committee provides an important linkage between the Board and the Company's auditors in relation to audit, financial reporting and internal control matters. The Audit Committee had reviewed with the auditors and the management of the Company the audited results of the Group for the year ended 31 December 2022, the accounting principles and practices adopted by the Company and certain other matters relating to the internal control and financial reporting procedures of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the period under review and up to the date of this report.

DONATIONS

The Group makes regular contributions in terms of financial and other supports to various charitable organizations. Employees are also encouraged to have direct and active involvement in fund raising activities for the needs of the society. The Group did not make any donations during 2022 (2021: nil).

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, the Group had entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Save as disclosed herein, these transactions were either not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in Note 37 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results of the Group for the last five financial years is set out in the section headed "Five-Tear Financial Summary" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises its responsibility to protect the environment while carrying out its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group has adopted green initiatives and measures in its business operations such as recycling of used papers, energy saving measures and water saving practices.

One of the Group's subsidiaries in Shenzhen, Shenzhen Watsin Genetech Limited ("**Shenzhen Watsin**"), utilised safer and more efficient sewage treatments to improve the energy efficiency of its biofilm processes and technologies. Shenzhen Watsin was given an Honorary Clean Production Enterprises award by the Guangdong Provincial government in 2014 and further recognized as the Top Environmentally Friendly Enterprise in 2015.

The Group implemented the "5R" principles which align with our vision of sustainable development and adopting green consumption, and they are:

— Reduce: Reduce unnecessary consumption. Avoid buying unnecessary or excessive goods
— Re-evaluate: Choose products that are natural or made from recycled materials
— Reuse: Consider ways in which to repurpose products
— Recycle: Choose products that can be recycled
— Rescue: Choose reusable designs, reduce usage of disposable products

KEY RELATIONSHIPS

(a) Employees

Human resources are one of the greatest assets of the Group and the Group ensures all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration, benefits and trainings. The Group is committed to providing its employees with a safe, pleasant and healthy working environment. The Group rewards and recognises employees with competitive remuneration packages and implements a key performance index scheme with appropriate incentives, and promotes career development and progression by providing opportunities for career advancement. During the year under review, recreational activities and team building activities were held to enhance internal communication, reinforce a sense of belonging and promote staff team building.

KEY RELATIONSHIPS (CONTINUED)

(b) Suppliers

Our major suppliers are reliable and had business relationship with the Group for over 5 years on average, which mainly located within Guangdong province, the PRC.

The credit terms granted to the Group ranged from 30 to 90 days. The payables were usually settled within the credit period. Details of the trade and bills payables of the Group as at 31 December 2022 are set out in note 24 to the consolidated financial statements. Up to the date of this report, approximately 100% of the trade and bills payable to the major suppliers has been settled. The Group has developed long-standing relationships with a number of suppliers and taken great care to ensure that they share the Group's commitment to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria, including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(c) Customers

Our major customers include pharmaceutical commercial companies. The years of business relationship with the Group ranged from 3 to 16 years and the credit terms granted to the major customers ranged from 30 to 120 days. Details of the trade and bills receivables of the Group as at 31 December 2022 are set out in note 22 to the consolidated financial statements. Up to the date of this report, approximately 93.4% of the trade and bills receivables from the major customers has been settled.

During the year ended 31 December 2022, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any material dispute with our customers. The Group is committed to offer good-quality products to its customers, which are mainly hospitals. The Group has stayed connected and maintained a close relationship with its customers by maintaining a customer information database and having ongoing communications with its customers through various channels, such as telephone calls, direct mails, visits, marketing materials and meetings.

Further discussions on the Group's environmental policy and our relationships with various stakeholders are covered by a separate environmental, social and governance report which will be available on the Group's website under the "Corporate Social Responsibility" section and the website of the Stock Exchange on or before 30 April 2023.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in the People's Republic of China ("**PRC**") while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC and Hong Kong laws and applicable laws in the jurisdictions where it has operations, further details of which are discussed in the environmental, social and governance report, the discussion of which forms part of this Directors' report. During the year under review and up to the date of this annual report, the Group has complied with all relevant laws and regulations in the PRC and Hong Kong in all material respects.

AUDITORS

BDO Limited, the auditor of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer itself for re-appointment. A resolution will be submitted to the AGM to be held on 19 May 2023 to seek the Shareholders' approval on the re-appointment of BDO Limited as the Company's auditor until the conclusion of the next AGM and to authorize the Board to fix its remuneration.

On behalf of the Board

Kingsley LEUNG
Chairman

Hong Kong, 27 March 2023

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Hong Kong

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TO THE SHAREHOLDERS OF UNI-BIO SCIENCE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Uni-Bio Science Group Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 75 to 160, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of intangible assets and property, plant and equipment related to pipeline pharmaceutical products

Refer to note 19 to the consolidated financial statements

We identified the impairment assessment of intangible assets and property, plant and equipment related to pipeline pharmaceutical products as disclosed in note 19 to the consolidated financial statements as a key audit matter due to significant estimates involved in determining the recoverable amount of these assets.

Determining whether these intangible assets and property, plant and equipment are impaired requires an estimation of the recoverable amount which is the higher of the fair value less costs of disposal, or value in use of the cash generating units ("**CGUs**") to which the intangible assets and property, plant and equipment have been allocated.

The value in use calculation relies on the management's assumptions and estimates of future operating performance of these drugs and the key data and assumptions applied by the management in the impairment review are:

- Discount rates;
- Expected revenue growth rate;
- Estimated gross profit margin; and
- Expected launch dates of these new drugs.

As at 31 December 2022, the carrying amounts of the intangible assets and property, plant and equipment related to pipeline pharmaceutical products are HK$17,487,000 and HK$14,413,000 respectively and no impairment losses on intangible assets and property, plant and equipment have been recognised during the year ended 31 December 2022.

Our response:

Our performed audit procedures in relation to impairment assessment of intangible assets and property, plant and equipment related to pipeline pharmaceutical products included:

— Evaluating management's impairment assessment process, including identifying of impairment indicators of the CGUs, valuation model adopted, key assumptions used;

— Discussing with the management to understand and evaluate the appropriateness of their valuation methodology to determine the recoverable amount, which is calculated based on the management's assumptions and estimates of future operating performance of these drugs;

— Checking the management's data and challenging the assumptions used in the valuation information prepared by the management by 1) comparing the inputs with the financial budget approved by the management; 2) assessing the discount rates applied with the support from our external valuation specialist and comparing the rates to benchmark data; 3) comparing expected revenue growth rate and estimated gross profit margin to recent industry and economic data and the Group's specific information; 4) challenging the expected launch dates of new drugs by checking the new drugs approval status and the Group's future business plan; and 5) evaluating the management's assessment on the required technical, financial and other resources to complete the development of pipeline drugs.

KEY AUDIT MATTERS (CONTINUED)

Expected credit losses on trade receivables

Refer to note 22 to the consolidated financial statements

We identified expected credit loss assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("**ECLs**") of the Group's trade receivables at the end of the reporting period.

As at 31 December 2022, the Group's net trade receivables amounting to approximately HK$36,479,000 which represented approximately 12.5% of total assets of the Group.

As disclosed in note 33 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant outstanding balances are assessed for ECL individually, the estimated loss rates are based on overdue balances, information regarding the ability and intent of the debtors to pay and historical data on industry default rates and are adjusted for forward-looking information.

The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The Group's ECLs recognised on trade receivables as at 31 December 2022 amounted to approximately HK$3,556,000.

Our response:

We performed audit procedures in relation to impairment assessment of trade receivables which included:

— Evaluating the methodology and key assumptions adopted by management in assessing ECLs and discussing them with management;

— Challenging the reasonableness of key assumptions based on our knowledge of the business and industry;

— Checking, on a sample basis, the accuracy and relevance of the input data used by management in capturing the aging; and

— Checking subsequent settlements of the trade receivables on sampling basis to review the reasonableness of the ECLs.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information. We are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, 27 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	**440,316**	353,405
Cost of sales		**(105,433)**	(76,398)
Gross profit		**334,883**	277,007
Other revenue	7	**8,648**	5,935
Other gains and losses	8	**(2,929)**	134
Selling and distribution costs		**(211,273)**	(185,671)
General and administrative expenses		**(47,035)**	(47,177)
Research and development expenses		**(35,781)**	(50,219)
Provision for litigation	35	**(2,307)**	(15,610)
Equity-settled share-based payment expenses	34	**(543)**	(3,934)
Finance costs	9	**(376)**	(477)
Profit/(loss) before taxation	10	**43,287**	(20,012)
Income tax (expense)/credit	11	**(4,775)**	421
Profit/(loss) for the year		**38,512**	(19,591)
Other comprehensive (expense)/income, net of tax			
Item that may be reclassified subsequently to profits or loss:			
Exchange differences arising on translation of foreign operations		**(18,616)**	6,563
Other comprehensive (expense)/income for the year		**(18,616)**	6,563
Total comprehensive income/(expense) for the year		**19,896**	(13,028)
Earnings/(loss) per share (HK cents)			
— Basic	12	**0.61**	(0.31)
— Diluted	12	**0.61**	(0.31)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**41,850**	43,888
Right-of-use assets	*17*	**18,016**	13,562
Intangible assets	*18*	**24,119**	8,177
Deposits paid for the acquisition of property, plant and equipment	*20*	**7,713**	301
Deferred tax assets	*28*	**432**	–
		92,130	65,928
Current assets			
Inventories	*21*	**33,852**	39,710
Trade and other receivables	*22*	**68,273**	78,346
Bank balances and cash	*23*	**98,216**	83,609
		200,341	201,665
Current liabilities			
Trade and other payables	*24*	**44,811**	54,827
Contract liabilities	*25*	**21,813**	20,207
Bank borrowings	*26*	**11,194**	–
Income tax payable		**3,112**	1,717
Lease liabilities	*27*	**4,008**	4,613
Amount due to a related party	*37*	**5,186**	10,937
Amount due to a joint operation	*30*	**131**	–
		90,255	92,301
Net current assets		**110,086**	109,364
Total assets less current liabilities		**202,216**	175,292

	Notes	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Non-current liabilities			
Lease liabilities	*27*	**7,470**	985
		7,470	985
Net assets		**194,746**	174,307
Capital and reserves			
Share capital	*29*	**63,648**	63,498
Reserves		**131,098**	110,809
Total equity		**194,746**	174,307

The consolidated financial statements on pages 75 to 160 were approved and authorised for issue by the Board of Directors on 27 March 2023 and are signed on its behalf by:

Mr. Chen Da Wei
Director

Mr. Kingsley Leung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital HK$'000	Share premium HK$'000 (note a)	Share-based payment reserve HK$'000	Distributable reserve HK$'000 (note a)	Exchange reserve HK$'000 (note b)	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2021	63,910	754,894	39,148	1,291,798	49,739	(2,010,078)	189,411
Other comprehensive income for the year	–	–	–	–	6,563	–	6,563
Loss for the year	–	–	–	–	–	(19,591)	(19,591)
Total comprehensive income/(loss) for the year	–	–	–	–	6,563	(19,591)	(13,028)
Issue of ordinary shares in relation to award of new shares (note 34)	150	1,320	(1,470)	–	–	–	–
Repurchase of shares (note 29)	(562)	(5,448)	–	–	–	–	(6,010)
Recognition of equity-settled share-based payment expenses (note 34)	–	–	3,934	–	–	–	3,934
At 31 December 2021	63,498	750,766	41,612	1,291,798	56,302	(2,029,669)	174,307
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**(18,616)**	**–**	**(18,616)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**38,512**	**38,512**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**(18,616)**	**38,512**	**19,896**
Issue of ordinary shares in relation to award of new shares (note 34)	**150**	**990**	**(1,140)**	**–**	**–**	**–**	**–**
Recognition of equity-settled share-based payment expenses (note 34)	**–**	**–**	**543**	**–**	**–**	**–**	**543**
At 31 December 2022	**63,648**	**751,756**	**41,015**	**1,291,798**	**37,686**	**(1,991,157)**	**194,746**

Note a: The distributable reserve is a credit arising from Capital Reorganisation effected by the Company during the year ended 31 March 2010. Under the Company Law (revised) of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital accounts.

Note b: Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before income tax expense	**43,287**	(20,012)
Adjustments for:		
Amortisation of intangible assets	**861**	893
Depreciation of right-of-use assets	**4,796**	4,660
Covid-19-related rent concessions	**(227)**	(303)
Gain on revaluation of investment properties upon transfer to property, plant and equipment	**–**	(1)
Depreciation of property, plant and equipment	**11,889**	15,297
Equity-settled share-based payments expenses	**543**	3,934
Interest income	**(1,297)**	(471)
Finance costs	**376**	477
Loss on disposal of property, plant and equipment	**763**	2,625
Provision for impairment loss recognised/(reversed) on trade receivables, net	**2,224**	(1,936)
Provision for impairment loss recognised/(reversed) on other receivables, net	**104**	(531)
Provision for impairment loss reversed on amount due from a related party	**–**	(791)
Write-back of other payables	**(231)**	–
Write-off on inventory	**393**	–
Write-off of trade receivables	**44**	–
Write-off of other receivables	**58**	49
Gain on disposal of financial assets at fair value through profit or loss ("**FVTPL**")	**–**	(40)
Provision for litigation	**–**	15,610
Operating profit before working capital changes	**63,583**	19,460
Decrease/(increase) in inventories	**2,076**	(23,192)
Decrease in trade and other receivables	**823**	14,460
Decrease in trade and other payables	**(13,908)**	(4,284)
(Decrease)/increase in contract liabilities	**(295)**	7,025
Cash generated from operations	**52,279**	13,469
Income tax paid	**(4,296)**	(2,055)
Income tax refunded	**677**	628
NET CASH FROM OPERATING ACTIVITIES	**48,660**	12,042

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at FVTPL		**–**	36,362
Purchases of property, plant and equipment		**(20,717)**	(8,133)
Proceeds from disposal of property, plant and equipment		**104**	17
Deposits paid for the acquisition of property, plant and equipment		**(7,713)**	(301)
Repayment from a related party	*37*	**–**	13,704
Interest received		**1,297**	471
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(27,029)**	42,120
CASH FLOW FROM FINANCING ACTIVITIES	*39*		
Proceeds from bank borrowings		**11,625**	–
Cash advance from a joint operation		**131**	–
Cash advance from a related party		**3,482**	7,643
Repayment to a related party		**(8,458)**	–
Repayment of lease liabilities		**(3,829)**	(678)
Share repurchases	*29*	**–**	(6,010)
Interest paid		**(376)**	(477)
NET CASH FROM FINANCING ACTIVITIES		**2,575**	478
NET INCREASE IN CASH AND CASH EQUIVALENTS		**24,206**	54,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**83,609**	25,012
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(9,599)**	3,957
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**98,216**	83,609

1. GENERAL

Uni-Bio Science Group Limited (the "**Company**") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The functional currency of the Company is Hong Kong dollars ("**HK$**") and the functional currency of the PRC subsidiaries is Renminbi ("**RMB**"). The consolidated financial statements are presented in HK$ for the convenience of the financial statement users as the Company is listed in Hong Kong.

The Company acts as investment holding company and the principal activities of its subsidiaries are set out in note 38.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs — effective 1 January 2022

Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments and HKFRS 16 Leases
Amendments to HKFRS 3	Conceptual Framework for Financial Reporting

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended to HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies[1]
Amendments to HKAS 8	Disclosures of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HKFRS 17	Insurance Contracts[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to Hong Kong Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and does not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1, Non-current Liabilities with Covenants

The amendments clarify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. An entity is required to disclose information about these covenants in the notes to the financial statements.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosures of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 8, Disclosures of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/ decommissioning liabilities.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

Amendments to HKFRS 16 — Lease liability in a Sale and Leaseback

The amendments impact a seller-lessee's accounting for a sale and leaseback transaction that satisfies the requirements in HKFRS 15 to be accounted for as a sale. The amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

The directors of the Company anticipate that the application of the amendments may have an impact on the consolidated financial statements.

HKFRS 17 — Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**the Listing Rules**").

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial instruments, that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (Continued)

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates per annum are as follows:

Buildings	5%, or over the term of lease if shorter
Plant and machinery	6.6%–20%
Fixtures and equipment	10%–20%
Buildings improvements	5%–18%
Motor vehicles	15%–20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(d) Leasing

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leasing (Continued)

The Group as a lessee (Continued)

Right-of-use asset (Continued)

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use (see note 4(c)), they are carried at revalued amount.

The Group accounts for leasehold land and buildings which are held for own use under HKAS 16 and are carried at cost model. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of assets apart from the leasehold land and buildings which are held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(iii) amounts expected to be payable by the lessee under the residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leasing (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(f) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in research and development expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Trademarks and certificates	10 to 15 years
Technical know-how	10 years
Capitalised development costs	10 years

(ii) Internal generated intangible assets (research and development expenditures)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (other than goodwill) (Continued)

(ii) Internal generated intangible assets (research and development expenditures) (Continued)

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(g) Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior reporting periods. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(i) Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "other revenue" line item.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables, time deposits, bank balances and amount due from a related party). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivable are estimated individually for debtors with significant balances or credit-impaired, and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

When there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

(ii) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise short-term bank deposits, bank balances and cash are subject to an insignificant risk of changes in value, and have a short maturity of generally within one year when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise short-term bank deposits, bank balances and cash which are not restricted as to use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(k) Equity-settled share-based payment transactions

Shares/share options granted to employees/directors

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the shares/share options at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve).

At the end of each reporting period, the Group revises its estimate of the number of shares/share options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the services received at the date the counterparty renders the service, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service. The fair values of the services received are recognised as expenses (unless the services qualify for recognition as assets).

(l) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transaction are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (Continued)

(i) Production and sales of chemical and biological pharmaceutical products

The Group is principally engaged in manufacturing and selling of chemical and biological pharmaceutical products. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a product to a customer.

Customers obtain control of pharmaceutical products when title passes and the goods have been delivered to a contractually agreed location. Invoices are generated and revenue is recognised at that point in time.

(ii) Other revenue

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Service income is recognised over time as those services are provided.

(n) Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 4(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit (loss) before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income taxes (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(p) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currencies (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(q) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of intangible assets and property, plant and equipment related to pipeline pharmaceutical products

Intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently where an indication of impairment exists. The Group also reviews the carrying amounts of property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indicator that those assets have suffered an impairment loss.

As there are changes in development plans for pipeline pharmaceutical products, impairment indicator on intangible assets and property, plant and equipment exists. Determining whether these intangible assets and property, plant and equipment are impaired requires an estimation of the recoverable amount which is higher of the fair value less costs of disposal, or value in use of the cash generating units ("**CGUs**") to which the intangible assets and property, plant and equipment have been allocated.

The value in use calculation relies on the management's assumptions and estimates of future operating performance of these drugs. Significant judgment is involved in determining the key data and assumptions applied by the management in the impairment review, which include discount rates, expected revenue growth rate, estimated gross profit margin; and expected launch dates of these new drugs.

For the year ended 31 December 2022, the carrying amounts of the intangible assets and property, plant and equipment related to pipeline pharmaceutical products are HK$17,487,000 (2021: nil) and HK$14,413,000 (2021: HK$20,223,000), respectively. During the years ended 31 December 2022 and 2021, no impairment loss on intangible assets and property plant and equipment was recognised in profit or loss. While Covid-19 pandemic did not have significant impact on the pharmaceutical products business in 2022 and 2021, a protracted economic recovery may result in additional impairments in future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Amortisation of intangible assets

Intangible assets are amortised over their useful lives. The assessment of estimated useful lives is a matter of judgment based on the experience of the Group's management, taking into account factors such as the ability to legally renew the technical know-how, technological progress and changes in market demand. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value in the period in which the changes take place. As of 31 December 2022, the carrying amount of intangible assets with definite useful life is HK$6,632,000 (31 December 2021: HK$8,177,000), and amortisation of the intangible assets of HK$861,000 (31 December 2021: HK$893,000) was recognised for the year ended 31 December 2022.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables based on the grouping of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates and taking into consideration forward-looking information that is reasonable and supportable that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The economic downturn and uncertainties that have arisen as a result of COVID-19 pandemic have made these estimates more judgemental, which the Group has taken into account in its determination of applicable ECLs attributable to trade receivable arising from sales to customers on credit term, including the incorporation of forward-looking information to supplement historical credit loss rate. Further information on the impairment assessment on trade receivables is provided in note 33(b).

Provision of ECL for other receivables

The Group recognises lifetime ECL and 12-month ECL basis for other receivables based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Joint arrangement

The directors of the Company performed an assessment of whether the Group has joint control over the Group's joint arrangements. Pursuant to the respective contractual agreements regarding the joint arrangement, all major decisions and the decisions regarding the relevant activities of the joint arrangement require the unanimous consent of all parties to the arrangement. Accordingly, the directors of the Company concluded that the Group has joint control over the joint arrangement.

The directors of the Company also assessed whether the joint arrangement are joint operations or joint ventures under HKFRS 11 Joint Arrangements. After considering the rights and obligations of parties to the joint arrangement with reference to the structure, the legal form of the arrangements, the contractual terms agreed by the parties in the arrangements, and the relevant facts and circumstances, the directors of the Company concluded that the Group's joint arrangement should be classified as joint operations under HKFRS 11 as the relevant joint arrangement document specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements.

6. REVENUE AND SEGMENT INFORMATION

Revenue arising from sale of chemical and biological pharmaceutical products is recognised at point in time when control of the goods has been transferred and the goods have been delivered to the customers' specific locations. Following delivery, the customers bear the risks of obsolescence and loss in relation to the goods without refund policy. The normal credit term is 90 days (2021: 90 days) upon delivery.

Advance and deposits received from the customers are recognised as contract liabilities until the goods have been delivered to the customers.

The sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the board of directors of the Company, being the chief operating decision maker ("**CODM**"), for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments are analysed as follows:

(a) Chemical pharmaceutical products — manufacture and sale of chemical pharmaceutical products

(b) Biological pharmaceutical products — manufacture and sale of biological pharmaceutical products

(c) Pipeline products — research and development of pharmaceutical products

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2022

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment revenue				
External sales	232,492	207,824	–	440,316
Result				
Segment profit/(loss)	49,550	26,575	(27,816)	48,309
Other revenue				8,648
Equity-settled share-based payment expenses				(543)
Unallocated administrative expenses				(12,751)
Finance costs				(376)
Profit before income tax expense				43,287

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results (Continued)

For the year ended 31 December 2021

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment revenue				
External sales	146,666	206,739	–	353,405
Result				
Segment profit/(loss)	18,922	15,795	(43,167)	(8,450)
Other revenue				5,935
Change in fair value of investment properties				1
Equity-settled share-based payment expenses				(3,934)
Unallocated administrative expenses				(13,087)
Finance costs				(477)
Loss before income tax expense				(20,012)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment result represents the results of each segment without allocation of other revenue, change in fair value of investment properties, equity-settled share-based payment expenses, unallocated administrative expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than investment properties, certain bank balances and cash and some unallocated corporate assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments; and

- all liabilities are allocated to operating segments other than income tax payable, deferred tax liability and some unallocated corporate liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

As at 31 December 2022

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment assets	62,429	79,060	31,900	173,389
Unallocated assets				119,082
Total assets				292,471
Segment liabilities	39,081	43,334	–	82,415
Unallocated liabilities				15,310
Total liabilities				97,725

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities (Continued)

As at 31 December 2021

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Consolidated HK$'000
Segment assets	77,375	81,213	20,223	178,811
Unallocated assets				88,782
Total assets				267,593
Segment liabilities	35,951	48,619	–	84,570
Unallocated liabilities				8,716
Total liabilities				93,286

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

For the year ended 31 December 2022

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets					
Additions to property, plant and equipment	7,022	4,762	–	8,933	20,717
Additions to intangible assets	–	–	18,159	–	18,159
Amortisation of intangible assets	861	–	–	–	861
Depreciation of right-of-use assets	296	2,993	–	1,507	4,796
Depreciation of property, plant and equipment	4,756	1,694	4,808	631	11,889
Loss on disposal of property, plant and equipment	647	116	–	–	763
Provision for litigation	2,307	–	–	–	2,307
Research and development expenses	–	7,964	27,817	–	35,781
Provision for impairment loss recognised on trade receivables, net	1,271	953	–	–	2,224
Provision for impairment loss recognised on other receivables, net	104	–	–	–	104
Write-off on inventories	393	–	–	–	393
Write-off of trade receivables	–	44	–	–	44
Write-off of other receivables	–	58	–	–	58
Write-back of other payables	(231)	–	–	–	(231)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Interest on bank deposits	(143)	(1,149)	–	(5)	(1,297)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Other segment information (Continued)

For the year ended 31 December 2021

	Chemical pharmaceutical products HK$'000	Biological pharmaceutical products HK$'000	Pipeline products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets					
Additions to property, plant and equipment	4,811	2,931	–	391	8,133
Amortisation of intangible assets	893	–	–	–	893
Depreciation of right-of-use assets	308	3,108	–	1,244	4,660
Depreciation of property, plant and equipment	9,601	821	4,033	842	15,297
Loss on disposal of property, plant and equipment	2,195	430	–	–	2,625
Provision for litigation	15,610	–	–	–	15,610
Research and development expenses	–	7,052	43,167	–	50,219
Provision for impairment loss reversed on trade receivables, net	(172)	(1,764)	–	–	(1,936)
Provision for impairment loss reversed on other receivables, net	(531)	–	–	–	(531)
Provision for impairment loss reversed on amount due from a related party	–	–	–	(791)	(791)
Write-off of trade receivables	–	49	–	–	49
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Interest on bank deposits	(29)	(439)	–	(3)	(471)

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(d) Geographical information

Information about the Group's sales to external customers presented based on the locations of customers, and information about the Group's non-current assets presented based on the geographical location of the non-current assets are summarised below.

	Sales to external customers		Non-current assets	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**1,441**	621
The People's Republic of China ("**PRC**")	**440,316**	353,405	**90,689**	65,307
	440,316	353,405	**92,130**	65,928

(e) Revenue from the Group's products and services

The following is an analysis of the Group's revenue from external customers by products or services:

	2022	2021
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of chemical pharmaceutical products	**232,492**	146,666
Sales of biological pharmaceutical products	**207,824**	206,739
	440,316	353,405
Timing of revenue recognition:		
At a point in time	**440,316**	353,405
Transferred over time	**–**	–
	440,316	353,405

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(e) Revenue from the Group's products and services (Continued)

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue for the years ended 31 December 2022 and 2021 is as follows:

	2022 **HK$'000**	2021 HK$'000
Customer A	**51,697**	37,099

7. OTHER REVENUE

	2022 **HK$'000**	2021 HK$'000
Interest on bank deposits	**1,297**	471
Rental income	**–**	35
Government grants (Note i)	**4,328**	1,160
Service income (Note ii)	**2,729**	3,702
Sundry income	**67**	264
COVID-19-related rent concessions	**227**	303
	8,648	5,935

Note i: Government grants mainly represent grants received from the PRC local government authorities as subsidies to the Group for research and development expenditures already incurred and the conditions have been fulfilled upon the grant.

During the year ended 31 December 2022, the Group applied for government support programs introduced in response to the COVID-19 pandemic. Included in profit or loss was HK$136,000 of government grants (2021: Nil) obtained relating to supporting the payroll of the Group's employees from the Hong Kong Government. The Group elected to present this subsidy in government grants above, rather than reducing the related expenses. The Group had to commit to spending the assistance on payroll expenses, and not to reduce employee head count below prescribed level for a specified period of time. The Group did not have any unfulfilled obligations relating to this program.

Note ii: Service income mainly represented the subcontracting income generated from the provision of manufacturing works to the customers.

8. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Gain on revaluation of investment properties upon transfer to property, plant and equipment (note 16)	–	1
Gain on disposal of financial assets at FVTPL	–	40
Provision for impairment loss (recognised)/reversed on trade receivables, net	(2,224)	1,936
Provision for impairment loss (recognised)/reversed on other receivables, net	(104)	531
Provision for impairment loss reversed on amount due from a related party	–	791
Write-off of trade receivables	(44)	–
Write-off of other receivables	(58)	(49)
Loss on disposal of property, plant and equipment	(763)	(2,625)
Write-back of other payables	231	–
Others	33	(491)
	(2,929)	134

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	38	–
Interest on lease liabilities	338	477
	376	477

10. PROFIT/(LOSS) BEFORE TAXATION

	2022 HK$'000	2021 HK$'000
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments) (note 14)		
Salaries, wages and other benefit	**73,295**	67,959
Retirement benefit scheme contribution	**15,217**	13,569
Equity-settled share-based payments	**198**	3,020
	88,710	84,548
Equity-settled share-based payments to consultants	**345**	914
Amortisation of intangible assets	**861**	893
Depreciation of property, plant and equipment	**11,889**	15,297
Depreciation of right-of-use assets	**4,796**	4,660
Less: Amortisation and depreciation included in research and development expenses	**(4,743)**	(5,675)
	12,803	15,175
Auditor's remuneration	**1,816**	1,955
Cost of inventories recognised as an expense	**105,433**	76,398
Research and development expenses	**53,940**	50,219
Less: Capitalisation on intangible assets (note 18)	**(18,159)**	–
	35,781	50,219
Property rental income less outgoings	**–**	35

11. INCOME TAX EXPENSE/(CREDIT)

	2022 HK$'000	2021 HK$'000
PRC Enterprise Income Tax ("**EIT**")		
— Current year	**3,949**	419
— Under provision in prior years	**1,275**	–
	5,224	419
Deferred tax (note 28):		
— Current year	**(449)**	(840)
	4,775	(421)

The Company is tax exempt under the laws of the Cayman Islands.

No provision for Hong Kong profits tax has been made since the entities operating in Hong Kong had no assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Beijing Genetech Pharmaceutical Co., Limited and Shenzhen Watsin Genetech Limited, wholly owned subsidiaries of the Company, were approved as High and New Technology Enterprise and were eligible to enjoy a preferential enterprise income tax rate of 15% (2021: 15%) for both years with the expiration date of 18 October 2025 and 11 December 2023, respectively.

11. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

The income tax expense/(credit) for the year can be reconciled to the profit/(loss) before income tax expense/(credit) per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 **HK$'000**	2021 HK$'000
Profit/(loss) before income tax expense	**43,287**	(20,012)
Tax at the enterprise income tax rate of 25% (2021: 25%)	**10,822**	(5,003)
Tax effect of non-taxable income	**(125)**	(118)
Tax effect of non-deductible expenses	**430**	196
Tax effect of deductible temporary difference not recognised	**139**	2,341
Tax effect of tax losses not recognised	**1,755**	6,752
Effect of tax exemptions granted to the subsidiaries in the PRC	**(4,128)**	(713)
Utilisation of deductible temporary difference not recognised	**(68)**	(380)
Utilisation of tax losses previously not recognised	**(6,650)**	(6,094)
Under provision in prior years	**1,275**	–
Effect of different tax rates of group entities	**1,325**	2,598
Income tax expense/(credit) for the year	**4,775**	(421)

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

Profit/(loss)	**2022** **HK$'000**	2021 HK$'000
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**38,512**	(19,591)

Number of shares	**2022** **'000**	2021 '000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**6,360,659**	6,371,655
Dilutive effect of potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**6,360,659**	6,371,655

The computation of diluted earnings per share for the year ended 31 December 2022 does not assume the exercise of the Company's outstanding share options because the adjusted exercise prices of those options calculated in accordance with HKAS 33 "Earnings Per Share" are higher than the average market price of the shares.

For the year ended 31 December 2021, no adjustment has been made to basic loss per share amounts presented in respect of a dilution as the impact of the share options outstanding would decrease basic loss per share.

13. DIVIDEND

No dividend was paid, declared or proposed during 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

For the year ended 31 December 2022

	Kingsley Leung HK$'000	Chen Dawei HK$'000	Zhao Zhi Gang HK$'000	Total HK$'000
Executive Directors				
Fee	–	–	–	–
Other emoluments				
Salaries, allowance and benefits in kind	1,239	–	1,126	2,365
Equity-settled share-based payments	–	94	–	94
Retirement benefit scheme contribution	123	–	19	142
	1,362	94	1,145	2,601

The executive directors' emoluments shown above were mainly for their services in connection with the management of the business and operations of the Company and the Group.

	Chow Kai Ming HK$'000	Ren Qimin HK$'000	Ma Qingshan HK$'000	Total HK$'000
Independent Non-executive Directors				
Fee	120	120	120	360
Other emoluments				
Salaries, allowance and benefits in kind	–	–	–	–
Equity-settled share-based payments	–	–	–	–
	120	120	120	360

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(a) Directors' remuneration (Continued)

	Yau Kwok Wing Tony HK$'000
Non-executive Director	
Fee	**120**
Other emoluments	
Salaries, allowance and benefits in kind	**–**
Equity-settled share-based payment	**–**
	120

The non-executive director's emoluments shown above were mainly for services as director of the Company

For the year ended 31 December 2021

	Kingsley Leung HK$'000	Chen Dawei HK$'000	Zhao Zhi Gang HK$'000	Total HK$'000
Executive Directors				
Fee	–	–	142	142
Other emoluments				
Salaries, allowance and benefits in kind	675	–	907	1,582
Equity-settled share-based payments	94	1,388	419	1,901
Retirement benefit scheme contribution	18	–	97	115
	787	1,388	1,565	3,740

The executive directors' emoluments shown above were mainly for their services in connection with the management of the business and operations of the Company and the Group.

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(a) Directors' remuneration (Continued)

	Chow Kai Ming HK$'000	Ren Qimin HK$'000	Ma Qingshan HK$'000	Total HK$'000
Independent Non-executive Directors				
Fee	120	120	120	360
Other emoluments				
Salaries, allowance and benefits in kind	5	5	5	15
Equity-settled share-based payments	75	75	75	225
	200	200	200	600

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

	Yau Kwok Wing Tony HK$'000
Non-executive Director	
Fee	120
Other emoluments	
Salaries, allowance and benefits in kind	5
Equity-settled share-based payments	75
	200

The non-executive director's emoluments shown above were mainly for services as director of the Company.

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(b) Five highest paid employees

Of the five individuals with highest emoluments in the Group, two (2021: two) were directors of the Company. The emoluments of the remaining three (2021: three) highest paid individuals were as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**3,325**	3,240
Retirement benefit scheme contributions	**535**	731
Equity-settled share-based payments	**7**	206
	3,867	4,177

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2022 **No. of** **employees**	2021 No. of employees
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

14. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (CONTINUED)

(c) No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Company, or as compensation for loss of office for the both years.

15. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of a state-managed retirement benefit scheme operated by the China government. The subsidiaries are required to contribute based on a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of HK$15,217,000 (2021: HK$13,569,000) represents contributions payable to these plans by the Group for staff (including directors and senior management) at rates specified under the rules of the plans.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Fixtures and equipment HK$'000	Buildings improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2021	35,085	71,198	49,860	53,767	1,742	2,598	214,250
Currency realignment	597	2,730	122	437	35	168	4,089
Additions	57	4,888	1,289	336	–	1,563	8,133
Transfer from investment properties	171	–	–	–	–	–	171
Transfer	–	49	–	–	–	(49)	–
Disposals/written-off	–	(4,021)	(516)	–	–	(2,192)	(6,729)
At 31 December 2021	35,910	74,844	50,755	54,540	1,777	2,088	219,914
Currency realignment	(2,900)	(10,222)	(2,078)	(3,197)	(158)	(336)	(18,891)
Additions	776	5,236	2,624	–	–	8,329	16,965
Transfer	–	–	–	3,752	–	(3,752)	–
Disposals/written-off	–	(2,642)	(2,900)	–	–	(518)	(6,060)
At 31 December 2022	33,786	67,216	48,401	55,095	1,619	5,811	211,928
Accumulated depreciation and impairment							
At 1 January 2021	18,577	68,076	43,363	31,899	1,241	–	163,156
Currency realignment	208	641	410	325	61	–	1,645
Provided for the year	4,033	5,433	1,928	3,771	132	–	15,297
Eliminated on disposals/written-off	–	(3,600)	(472)	–	–	–	(4,072)
At 31 December 2021	22,818	70,550	45,229	35,995	1,434	–	176,026
Currency realignment	(2,082)	(7,600)	(1,574)	(1,261)	(127)	–	(12,644)
Provided for the year	1,204	4,772	1,590	4,252	71	–	11,889
Eliminated on disposals/written-off	–	(2,481)	(2,712)	–	–	–	(5,193)
At 31 December 2022	21,940	65,241	42,533	38,986	1,378	–	170,078
Carrying amounts							
At 31 December 2022	11,846	1,975	5,868	16,109	241	5,811	41,850
At 31 December 2021	13,092	4,294	5,526	18,545	343	2,088	43,888

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, less their estimated residual value, if any, at the following rates per annum:

Buildings	5%, or over the term of lease if shorter
Plant and machinery	6.6%–20%
Fixtures and equipment	10%–20%
Buildings improvements	5%–18%
Motor vehicles	15%–20%

(b) The directors of the Company conducted impairment review of the Group's property, plant and equipment related to pipeline pharmaceutical products. During the years ended 31 December 2022 and 2021, no impairment loss was recognised. Details of such impairment testing are set out in note 19.

17. RIGHT-OF-USE-ASSETS

	Land use rights HK$'000	**Leased properties** HK$'000	**Total** HK$'000
At 1 January 2021	8,252	2,969	11,221
Additions	–	6,679	6,679
Depreciation	(308)	(4,352)	(4,660)
Exchange realignment	266	56	322
At 31 December 2021 and 1 January 2022	8,210	5,352	13,562
Additions	–	4,763	4,763
Effect of modification to lease terms	–	5,761	5,761
Depreciation	(296)	(4,500)	(4,796)
Exchange realignment	(709)	(565)	(1,274)
At 31 December 2022	7,205	10,811	18,016

For both years, the Group leases various offices and a factory for its operations. Lease contracts are entered into for fixed terms of two years to ten years (2021: two years). Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2022, the Group renewed a lease agreement for an office for two years and received a rent concession from one of the leases, and therefore recognised the total modification to right-of-use assets of HK$5,761,000 (2021: nil) in which the modification of HK$5,986,000 related to lease agreement renewed from a related party which is also a connected party of the Group.

17. RIGHT-OF-USE-ASSETS (CONTINUED)

During the year ended 31 December 2022, the Group entered into a new lease agreement for a factory for ten years, and therefore recognised the addition to right-of-use assets of HK$4,763,000 (2021: HK$6,679,000), which is related to buildings leased from a connected party of the Group (2021: the additions of HK$6,214,000 related to the offices leased from a related party which is also a connected party of the Group).

18. INTANGIBLE ASSETS

	Trademarks and certificates HK$'000 (Note a)	Technical know-how HK$'000 (Note b)	Capitalised development costs HK$'000 (Note c)	Totals HK$'000
COST				
At 1 January 2021	253,892	74,393	143,310	471,595
Exchange realignment	8,349	2,446	4,712	15,507
At 31 December 2021	262,241	76,839	148,022	487,102
Additions (note e)	–	–	18,159	18,159
Exchange realignment	(22,974)	(6,732)	(13,640)	(43,346)
At 31 December 2022	239,267	70,107	152,541	461,915
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2021	253,892	70,295	138,612	462,799
Provided for the year	–	416	477	893
Exchange realignment	8,349	2,318	4,566	15,233
At 31 December 2021	262,241	73,029	143,655	478,925
Provided for the year	–	401	460	861
Exchange realignment	(22,974)	(6,413)	(12,603)	(41,990)
At 31 December 2022	239,267	67,017	131,512	437,796
CARRYING AMOUNTS				
At 31 December 2022	–	3,090	21,029	24,119
At 31 December 2021	–	3,810	4,367	8,177

18. INTANGIBLE ASSETS (CONTINUED)

Intangible assets are amortised on a straight-line basis over the following periods:

Trademarks and certificates	10 to 15 years
Technology know-how	10 years
Capitalised development costs (Note d)	10 years

Notes:

(a) Trademarks and certificates represent costs in obtaining trademarks and registration certificates for pharmaceutical products.

(b) Technical know-how mainly represents techniques and formulas acquired separately for the development of products and production technology.

(c) Capitalised development costs mainly represent costs generated internally for the development of products and product technology.

(d) Except for the capitalised development costs of drugs under development, the respective intangible assets (including the capitalised development costs of drugs already completed development) have finite lives and are subsequently amortised over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Capitalised development costs of drugs under development are not amortised as the development of products and technology is in the registration or after the approval of phase III clinical trial process and are assessed for impairment annually.

(e) During the year ended 31 December 2022, the additions of HK$18,159,000 (2021: Nil) represented the additional capitalised development costs for Drug 2. The capitalised development costs were salaries and laboratory cost of this drug.

19. IMPAIRMENT TESTING ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT RELATED TO PIPELINE PHARMACEUTICAL PRODUCTS

For the purpose of impairment testing, intangible assets and property, plant and equipment related to pipeline pharmaceutical products segment set out in notes 16 and 18 have been allocated to two (2021: two) individual cash generating units ("**CGUs**"). The carrying amounts of intangible assets (net of accumulated amortisation and impairment losses) and property, plant and equipment (net of accumulated depreciation and impairment losses) related to these CGUs are as follows:

	Property, plant and equipment		Intangible assets	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
CGUs				
Drug 1	**1,567**	6,753	**–**	–
Drug 2	**12,846**	13,470	**17,487**	–
	14,413	20,223	**17,487**	–

19. IMPAIRMENT TESTING ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT RELATED TO PIPELINE PHARMACEUTICAL PRODUCTS (CONTINUED)

Drug 1:

During the year ended 31 December 2022, the clinical work of Drug 1 was being accelerated. The project was developing as scheduled. No impairment loss is recognised for the year ended 31 December 2022.

During the year ended 31 December 2021, the Group has been conducting for the clinical trial-related works for Drug 1, following by bridging clinical trials in 2022. The project was developing as scheduled. No impairment loss is recognised for the year ended 31 December 2021.

Drug 2:

During the year ended 31 December 2022, the new drug application for Drug 2 had been submitted by the Group and accepted by the China National Medical Products Administration ("**NMPA**") and Drug 2 is expected to be approved for marketing in 2023. The project was developing as scheduled. No impairment loss is recognised for the year ended 31 December 2022.

During the year ended 31 December 2021, the Group had been successfully completed bridging clinical trial for Drug 2, following by a New Drug Application in 2022. The Group expected that this drug would be launched after completion of registration with the NMPA as soon as 2023 and the project was developing as scheduled. No impairment loss is recognised for the year ended 31 December 2021.

The basis of the recoverable amounts of the CGUs of Drug 1 and Drug 2 and their major underlying assumptions are summarised below:

The recoverable amounts of these two CGUs (2021: two CGUs) have been determined based on a value in use calculation. That calculation was based on the cash flow forecasts derived from the most recent financial budgets for the next 10 years, considering the product cycle, launch time and management's best estimation on business cycle of the products, using a pre-tax discount rate of 22.28% for Drug 1 and 21.73% for Drug 2 (2021: 28.04% for Drug 1 and Drug 2) which reflects current market assessments of the time value of money and the risk specific to these two CGUs. The cash flows beyond the 10-year-period are extrapolated for another 10 years assuming 2% (2021: 2%) growth based on market data and historical records of existing drugs. The valuation of these two CGUs has been carried out by the Group's management for both years.

20. DEPOSITS PAID FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2022, the carrying amount of deposits paid for the acquisition of property, plant and equipment relates to the purchase of plant and equipment for the expansion of production facilities was approximately HK$7,713,000 (2021: HK$301,000).

21. INVENTORIES

	2022	2021
	HK$'000	HK$'000
Raw materials	**12,403**	19,531
Work in progress	**6,592**	1,485
Finished goods	**14,857**	18,694
	33,852	39,710

22. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	HK$'000
Trade receivables	**40,035**	46,016
Less: Loss allowance	**(3,556)**	(1,550)
	36,479	44,466
Bills receivables	**21,390**	27,164
Deposit, prepayments and other receivables	**10,574**	6,856
Less: Loss allowance	**(170)**	(140)
	10,404	6,716
	68,273	78,346

As at 31 December 2022 and 2021, trade receivables from contracts with customers amounted to HK$36,479,000 and HK$44,466,000, respectively.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an ageing analysis of trade receivables based on the invoice dates, as at the end of the reporting period:

	2022	2021
	HK$'000	HK$'000
0–90 days	**28,599**	32,903
91–120 days	**4,014**	5,292
121–180 days	**3,118**	640
181–360 days	**818**	4,814
Over 360 days	**3,486**	2,367
	40,035	46,016
Less: Loss allowance	**(3,556)**	(1,550)
	36,479	44,466

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. The Group does not hold any collateral over the trade receivables.

Details of impairment assessment of trade and other receivables are set out in note 33.

Bills receivable represent bills on hand. All bills receivable of the Group are with a maturity period of less than 180 days (2021: less than 180 days) and not yet due at the end of the reporting period, and the management considers the default rate is low based on historical information, experience and forward-looking information into account.

23. BANK BALANCES AND CASH

	2022	2021
	HK$'000	HK$'000
Bank balances and cash (note)	**98,216**	83,609

Note:

The bank balances carry interest rates ranging from 0.01% to 1.15% (2021: 0.01% to 0.35%) per annum.

As at 31 December 2022 and 2021, the Group performed impairment assessment on bank balances and cash concluded that the probability of defaults of the counterparty banks are insignificant and, accordingly, no allowance for credit losses is provided.

Details of impairment assessment of bank balances as at 31 December 2022 and 2021 are set out in note 33.

24. TRADE AND OTHER PAYABLES

	Note	2022 HK$'000	2021 HK$'000
Trade payables	*(i) & (ii)*	**5,265**	5,263
Other payables		**11,591**	6,354
Accruals		**27,955**	43,210
		44,811	54,827

Notes:

(i) The average credit period on purchases of goods is 120 days (2021: 120 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit time frame.

(ii) An aged analysis of the trade payables at the end of the reporting period based on transaction date is as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	**2,936**	3,886
31–60 days	**461**	119
61–90 days	**241**	274
Over 90 days	**1,627**	984
	5,265	5,263

25. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2022 HK$'000	2021 HK$'000
Contract liabilities	**21,813**	20,207

25. CONTRACT LIABILITIES (CONTINUED)

Movements in contract liabilities

	2022	2021
	HK$'000	HK$'000
Balance at 1 January	**20,207**	13,182
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(20,207)**	(13,182)
Increase in contract liabilities as a result of advanced consideration received from customers	**22,652**	19,875
Currency realignment	**(839)**	332
Balance at 31 December	**21,813**	20,207

26. BANK BORROWINGS

	2022	2021
	HK$'000	HK$'000
Unsecured borrowings:		
Bank loans	**11,194**	–
Repayable as follows:		
On demand or within one year	**11,194**	–

During the year ended 31 December 2022, the Group raised unsecured bank borrowings of RMB10,000,000 (equivalent to approximately HK$11,194,000) which carries interest at Loan Prime Rate ("**LPR**") minus 1.12%. The bank borrowings are secured by the personal guarantee of a director which is also a shareholder of the Company.

26. BANK BORROWINGS (CONTINUED)

The effective interest rate (which is also equal to the contracted interest rate) on the Group's borrowing is as follow:

	2022	2021
	HK$'000	HK$'000
Effective interest rate:		
Variable-rate borrowing	**2.53% per annum**	N/A

27. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022	2021
	HK$'000	HK$'000
As at 1 January	**5,598**	3,138
Additions	**4,763**	6,678
Effect of modification of lease terms	**5,761**	–
Interest expense	**338**	477
Lease payments	**(4,167)**	(4,449)
COVID-19-related rent concessions (note)	**(227)**	(303)
Currency realignment	**(588)**	57
As at 31 December	**11,478**	5,598

Note:

The Group has received rent concessions from lessors due to the COVID-19 pandemic in the form of rent relief (e.g. reductions in rent contractually due under the terms of lease agreements). The Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the years ended 31 December 2022 and 2021 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$227,000 (2021: HK$303,000) and the effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

27. LEASE LIABILITIES (CONTINUED)

The analysis of the present value of future lease payments is as follows:

	2022	2021
	HK$'000	HK$'000
Current liabilities	**4,008**	4,613
Non-current liabilities	**7,470**	985
	11,478	5,598

28. DEFERRED TAX ASSETS

The following are movements of the deferred tax assets recognised from the allowance for doubtful debts of trades receivable and other receivables during the years:

	2022	2021
	HK$'000	HK$'000
At 1 January	**–**	–
Credited to profit or loss (note 11)	**(449)**	–
Exchange realignment	**17**	–
At 31 December	**(432)**	–

At 31 December 2022, the Group had other deductible temporary differences of HK$11,119,000 (2021: HK$27,505,000) mainly consisted of allowance for doubtful debts and amount due from related party, impairment of deposit for acquisition of intangible assets and provision for litigation. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

In addition to the above, at 31 December 2022, the Group had unused tax losses of HK$72,002,000 (2021: HK$112,011,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profits streams. The losses will expire within ten years from the year in which they arose because according to the announcement published by the PRC tax authorities on 11 July 2018, tax losses arising from entities qualifying as New and High Technology Enterprise can be carried for ten years effective from 1 January 2018. Accordingly, the expiry of the tax losses arising from subsidiaries that qualify as New and High Technology Enterprise is extended from five years to ten years.

28. DEFERRED TAX ASSETS (CONTINUED)

The unused tax losses will expire in the following years:

	2022	2021
	HK$'000	HK$'000
2023	**–**	–
2024	**–**	–
2025	**–**	–
2026	**–**	–
2027 and after	**72,002**	112,011
Total unused tax losses	**72,002**	112,011

29. SHARE CAPITAL

	Notes	**Number of shares**	**Amount** HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2021, 31 December 2021 and 31 December 2022		500,000,000,000	5,000,000
Issued and fully paid:			
At 1 January 2021		6,391,008,147	63,910
Issue of ordinary shares in relation to award of new shares	*34(b)*	15,000,000	150
Repurchase of shares	*(i)*	(56,240,000)	(562)
At 31 December 2021 and 1 January 2022		6,349,768,147	63,498
Issue of ordinary shares in relation to award of new shares	*34(b)*	15,000,000	150
At 31 December 2022		6,364,768,147	63,648

Note:

(i) During the year ended 31 December 2021, the Company paid in aggregate HK$6,010,000 to buy back 56,240,000 ordinary shares of HK$0.01 each from the Stock Exchange from 25 June 2021 to 22 July 2021, at the highest price of HK$0.114 and the lowest price of HK$0.10 per share, and the excess paid over the par value of the shares was debited to the Company's share premium account. There was no repurchase of shares during the year ended 31 December 2022.

(ii) For the years ended 31 December 2022 and 2021, all shares issued during the years rank pari passu with the existing shares in all respects.

30. JOINT OPERATIONS

Details of investments in joint operations as at 31 December 2022 and 2021 are as follows:

Name	Place and date of operation	Principal activities	Participating shares 2022	2021
R&D Cooperation — Baocui	Unincorporated joint operation operating in Hong Kong, 4 January 2022	Jointly develop the new project materials for medical aesthetics purposes.	**50%**	–

The above table lists the joint operations of the Group which, in the opinion of the directors, principally affect the results for the year or constitute a substantial portion of the assets and liabilities of the Group. To give details of other joint operations would, in the opinion of the directors, result in particulars of excessive length.

Pursuant to the terms of the joint operation agreements, the profit or loss sharing for each year of the joint operation shall be distributed to the joint operators in proportion to their respective participating interests.

Amounts due to a joint operation are unsecured, non-interest bearing, repayable on demand and one denominated in Hong Kong dollars.

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	**2022** **HK$'000**	2021 HK$'000
Non-current assets			
Investments in subsidiaries	*38*	**114,367**	105,858
Current assets			
Deposits and prepayments		**631**	644
Bank balances and cash		**618**	902
		1,249	1,546
Current liabilities			
Amounts due to subsidiaries		**1,200**	1,200
Other payables and accruals		**3,622**	3,718
		4,822	4,918
Net current liabilities		**(3,573)**	(3,372)
Net assets		**110,794**	102,486
Capital and reserves			
Share capital	*29*	**63,648**	63,498
Reserves		**47,146**	38,988
Total equity		**110,794**	102,486

Mr. Chen Da Wei
Director

Mr. Kingsley Leung
Director

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	Share premium HK$'000	Share-based payment reserve HK$'000	Distributable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	754,894	39,148	1,291,798	(2,043,362)	42,478
Loss and total comprehensive expense for the year	–	–	–	(1,826)	(1,826)
Issue of ordinary shares in relation to award of new shares	1,320	(1,470)	–	–	(150)
Recognition of equity-settled share-based payment expense	–	3,934	–	–	3,934
Repurchase of shares	(5,448)	–	–	–	(5,448)
At 31 December 2021 and 1 January 2022	**750,766**	**41,612**	**1,291,798**	**(2,045,188)**	**38,988**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**7,765**	**7,765**
Issue of ordinary shares in relation to award of new shares	**990**	**(1,140)**	**–**	**–**	**(150)**
Recognition of equity-settled share-based payment expense	**–**	**543**	**–**	**–**	**543**
At 31 December 2022	**751,756**	**41,015**	**1,291,798**	**(2,037,423)**	**47,146**

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes equity attributable to owners of the Company, comprising share capital and reserves.

The directors review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues.

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost	**159,436**	159,131
Financial liabilities		
Financial liabilities at amortised cost	**44,845**	28,152

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a related party, bank balances and cash, bank borrowings, trade and other payables, amount due to a related party, amount due to a joint operation and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

None of the Group entities had any significant sales or purchases denominated in currencies other than the functional currency of the relevant group entities. Thus, the Group does not have any currency risk exposure.

(ii) Interest rate risk

The Group is mainly exposed to cash flow interest rate risk primarily in relation to variable-rate bank balances. The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Management of the Group are of the opinion that the Group's exposure to interest rate risk is minimal. Accordingly, no interest rate risk sensitivity analysis is presented.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk

As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality by reviewing its shareholding information, financial position and reputation in the industry. For new customers which are not listed companies and without historical business relationship, the Group may request to receive advance from customers. Credit term will be granted if there are ongoing repayment without default. If there are indicators that the customer's credit quality is getting worse, the Group will take follow-up action to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually or based on provision matrix. In this regard, the directors consider that Group's credit risk is significantly reduced.

In response to the COVID-19 pandemic, management has also been performing more frequent reviews of credit limits for customers in regions and industries that are severely impacted. During the year ended 31 December 2022, a net impairment loss of HK$2,224,000 (31 December 2021: reversal of net impairment loss of HK$1,936,000) in respect of the trade receivables was recognised.

The credit risk on bank balances and bill receivables are limited because the counterparties are banks with high credit ratings.

As at 31 December 2022, the Group had concentration of credit risk of approximately 0% (2021: 0%) and 11% (2021: 13%) of the total trade receivables due from the Group's largest customer and the five largest customers respectively. As at 31 December 2022 and 2021, all trade receivables were from customers located in the PRC.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty is large listed company with a low risk of default and does not have any default history	Lifetime ECL — not credit impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit impaired	Lifetime ECL — not credit impaired
Doubtful	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit impaired	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

The tables below detail the credit risk exposures of the Group's major financial assets which are subject to ECL assessment:

Financial assets at amortised costs

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2022 HK$'000	2021 HK$'000	Net carrying amount 2022 HK$'000	2021 HK$'000
Bank balances	23	AAA	Low risk	12-month ECL	**98,216**	83,609	**98,216**	83,609
Bills receivable	22	A+ to AAA	Low risk	12-month ECL	**21,390**	27,164	**21,390**	27,164
Other receivables	22	N/A	Low risk	12-month ECL	**2,360**	2,853	**2,190**	2,713
Trade receivables	22	N/A	(Note)	Lifetime ECL (provision matrix)	**9,433**	13,551	**8,003**	12,484
			Low risk	Lifetime ECL	**29,431**	32,465	**28,476**	31,982
			Doubtful	Lifetime ECL	**1,171**	–	**–**	–

Note:

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for internal credit rating of low risk or doubtful, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers (excluding large listed companies which are classified as low risk under internal credit rating) because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2022 and 2021 within lifetime ECL (not credit impaired). Debtors with significant outstanding balances and with gross carrying amounts of HK$29,431,000 as at 31 December 2022 and HK$32,465,000 as at 31 December 2021 were assessed individually. As all these debtors with significant balances are listed companies with good financial position based on their public annual reports and without recent default history, they are all classified as low risk and loss rate ranging from 3.0% to 5.4% (2021: 1.4% to 2.3%) is applied. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2022, the balances of such individually assessed trade receivables are HK$1,171,000 (2021: nil) and full impairment was made of these receivables.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

Gross carrying amount of trade receivables assessed using provision matrix:

2022	**Average loss rate**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	**Net trade receivables HK$'000**
Current (not past due)	**9%**	**5,615**	**533**	**5,082**
1–30 days past due	**14%**	**1,831**	**264**	**1,567**
31–90 days past due	**17%**	**661**	**115**	**546**
91–270 days past due	**29%**	**654**	**192**	**462**
More than 270 days past due	**48%**	**672**	**326**	**346**
		9,433	**1,430**	**8,003**

2021	Average loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net trade receivables HK$'000
Current (not past due)	5%	10,690	530	10,160
1–30 days past due	9%	1,352	125	1,227
31–90 days past due	12%	398	49	349
91–270 days past due	23%	497	116	381
More than 270 days past due	40%	614	247	367
		13,551	1,067	12,484

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2022, the Group provided HK$1,430,000 (2021: HK$1,067,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of HK$955,000 (2021: HK$483,000) were made on debtors with significant balances.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1 January 2021	3,375	–	3,375
Change for the year:			
— Impairment losses reversed	(1,936)	–	(1,936)
— Impairment losses recognised	–	–	–
Exchange adjustments	111	–	111
As at 31 December 2021 and 1 January 2022	**1,550**	**–**	**1,550**
Change for the year:			
— Impairment losses reversed	**–**	**–**	**–**
— Impairment losses recognised	**1,007**	**1,217**	**2,224**
Exchange adjustments	**(172)**	**(46)**	**(218)**
As at 31 December 2022	**2,385**	**1,171**	**3,556**

At 31 December 2022, the Group's trade receivables included in the allowance for doubtful debts with an aggregate balance of HK$3,556,000 (31 December 2021: HK$1,550,000) was impaired. The Group does not hold any collateral over these balances.

The change in the loss allowance for trade receivables during the year ended 31 December 2022 was mainly due to the increase in lifetime expected credit loss after assessing existing or forecast change in business, financial or economic conditions which may cause amelioration in the operating results of the debtors and the settlement of trade receivables that were classified as credit impaired at 31 December 2021.

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Credit risk (Continued)

The movement of loss allowances for other receivables during the year are as follows:

	Total
	HK$'000
As at 1 January 2021	644
Expected credit loss on other receivables reversed during the year	(531)
Exchange adjustments	27
As at 31 December 2021 and 1 January 2022	**140**
Expected credit loss on other receivables recognised during the year	**104**
Exchange adjustments	**(74)**
As at 31 December 2022	**170**

The Group writes off a trade receivable or/and other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the trade receivables or/and other receivable are over two years past due, whichever occurs earlier.

As at 31 December 2022, the Group had written off trade receivables of HK$44,000 (31 December 2021: no such indicator existed and no written off was made).

As at 31 December 2022, the Group had written off other receivables of HK$58,000 (31 December 2021: HK$49,000).

33. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

The Group had net current assets amounting to approximately HK$110,086,000 at 31 December 2022 (2021: HK$109,364,000).

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for their non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest is floating rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

2022	**Weighted average effective interest rate %**	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**
Non-derivative financial liabilities							
Trade and other payables	N/A	16,856	16,856	16,856	–	–	–
Lease liabilities	5.17	11,478	13,225	4,065	3,124	2,469	3,567
Amount due to a related party	N/A	5,186	5,186	5,186	–	–	–
Amount due to a joint operation	N/A	131	131	131	–	–	–
Bank borrowings	2.53	11,194	11,432	11,432	–	–	–
		44,845	46,830	37,670	3,124	2,469	3,567

2021	Weighted average effective interest rate %	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	11,617	11,617	11,617	–	–	–
Lease liabilities	5.7	5,598	5,821	4,811	1,010	–	–
Amount due to a related party	N/A	10,937	10,937	10,937	–	–	–
		28,152	28,375	27,365	1,010	–	–

33. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurements

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include bank balances and cash, trade and other receivables, amount due to a related party, amount due to a joint operation, other financial assets measured at amortised cost and trade and other payables.

Due to their short term nature, the carrying value of bank balances and cash, trade and other receivables, amount due to a related party, amount due to a joint operation and trade and other payables approximates fair value.

34. SHARE-BASED PAYMENT TRANSACTIONS

(a) The equity-settled share option scheme of the Company

On 26 September 2016, a New Share Option Scheme was adopted by the Company ("2016 Scheme") and replaced the share option scheme approved on 22 September 2006.

Under the 2016 Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion grant options to subscribe for shares in the Company to eligible participants ("**Eligible Participants**") who contribute to the development and growth of the Group. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest; (ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the New Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

At 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 563,055,000 (2021: 563,055,000), representing 8.85% (2021: 8.87%) of the ordinary shares in issue at that date.

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

Details of the share option movements during the years ended 31 December 2022 and 2021 under the 2016 Scheme are as follows:

	Outstanding at 1.1.2022 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Cancelled during the year '000	Outstanding at 31.12.2022 '000
12 September 2014 Directors	8,560	–	–	–	–	8,560
12 September 2014 Others	360	–	–	–	–	360
23 January 2015 Employees	10,880	–	–	–	–	10,880
23 January 2015 Others	33,100	–	–	–	–	33,100
10 July 2015 Directors	7,260	–	–	–	–	7,260
17 August 2015 Others	120,000	–	–	–	–	120,000
27 January 2016 Employees	20,700	–	–	–	–	20,700
27 January 2016 Others	1,300	–	–	–	–	1,300
7 October 2016 Directors	10,880	–	–	–	–	10,880
3 April 2017 Employees	34,950	–	–	–	–	34,950
3 April 2017 Others	2,010	–	–	–	–	2,010
16 November 2017 Directors	16,073	–	–	–	–	16,073
9 April 2018 Senior management	11,990	–	–	–	–	11,990
9 April 2018 Employees	20,224	–	–	–	–	20,224
5 July 2018 Others	3,000	–	–	–	–	3,000
9 April 2019 Directors	66,179	–	–	–	–	66,179
9 April 2019 Employees	62,449	–	–	–	–	62,449
9 April 2019 Others	3,300	–	–	–	–	3,300
2 April 2020 Employees	35,780	–	–	–	–	35,780
2 April 2020 Others	35,000	–	–	–	–	35,000
31 August 2020 Executive Directors	33,380	–	–	–	–	33,380
31 August 2020 Non-executive Directors	25,680	–	–	–	–	25,680
	563,055	–	–	–	–	563,055
Exercisable at the end of the year						543,055
Weighted average exercise price	HK$0.18	–	–	–	–	HK$0.18

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(a) The equity-settled share option scheme of the Company (Continued)

	Outstanding at 1.1.2021 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Cancelled during the year '000	Outstanding at 31.12.2021 '000
12 September 2014 Directors	8,560	–	–	–	–	8,560
12 September 2014 Others	360	–	–	–	–	360
23 January 2015 Employees	10,880	–	–	–	–	10,880
23 January 2015 Others	33,100	–	–	–	–	33,100
10 July 2015 Directors	7,260	–	–	–	–	7,260
17 August 2015 Others	120,000	–	–	–	–	120,000
27 January 2016 Employees	20,700	–	–	–	–	20,700
27 January 2016 Others	1,300	–	–	–	–	1,300
7 October 2016 Directors	10,880	–	–	–	–	10,880
3 April 2017 Employees	34,950	–	–	–	–	34,950
3 April 2017 Others	2,010	–	–	–	–	2,010
16 November 2017 Directors	16,073	–	–	–	–	16,073
9 April 2018 Senior management	11,990	–	–	–	–	11,990
9 April 2018 Employees	20,224	–	–	–	–	20,224
5 July 2018 Others	3,000	–	–	–	–	3,000
9 April 2019 Directors	66,179	–	–	–	–	66,179
9 April 2019 Employees	62,449	–	–	–	–	62,449
9 April 2019 Others	3,300	–	–	–	–	3,300
2 April 2020 Employees	35,780	–	–	–	–	35,780
2 April 2020 Others	35,000	–	–	–	–	35,000
31 August 2020 Executive Directors	33,380	–	–	–	–	33,380
31 August 2020 Non-executive Directors	25,680	–	–	–	–	25,680
	563,055	–	–	–	–	563,055
Exercisable at the end of the year						516,128
Weighted average exercise price	HK$0.18	–	–	–	–	HK$0.18

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(b) Award of new shares to a director of the Company

During year ended 31 December 2017, the Group entered into service agreement with Chan Dawei, a director of the Company, in which the Company agreed to allot and issue 15,000,000 award shares to him for every 12 months in which he served as an executive director and up to five years. The fair value of the award shares is HK$0.15 per share at the grant date. During the year ended 31 December 2022, 15,000,000 award shares (2021: 15,000,000) were allotted and issued to him.

The Group recognised the total expense of HK$543,000 for the year ended 31 December 2022 (2021: HK$3,934,000) in relation to options granted under the share option scheme and the award shares of the Group.

35. PROVISIONS, LITIGATIONS AND CONTINGENT

On 29 June 2021, Beijing Genetech Pharmaceutical Co., Limited ("**Beijing Genetech**"), one of the major production subsidiaries of the Company received a notice of arbitration filed with China International Economic and Trade Arbitration Commission (the "**CIETAC**") against Beijing Genetech by a distributor (the "**Distributor**") for one of the marketed drugs of the Group.

The Distributor filed claims against Beijing Genetech for damages arising from breach of a written distribution agreement made between the Distributor and Beijing Genetech dated 6 June 2019 amounting to approximately RMB34,000,000 (equivalent to approximately HK$41,033,000) in aggregate, together with legal fees, arbitration fees and other related costs. Upon receipt of the aforesaid arbitration notices, the Company has appointed an attorney for active response to the case.

On 15 November 2021, Beijing Genetech submitted its written defences to CIETAC to deny its liability to pay the said sums for the aforementioned arbitration. On 30 November 2021, Beijing Genetech filed counter-arbitration petitions to request for the termination of aforementioned distribution agreement and against the Distributor for the legal fees, arbitration fees and other related costs. The counter-arbitration petition has been accepted by the CIETAC.

On 6 January 2022, the Distributor submitted an application for modification of the arbitration request. In the said modification arbitration request application, the Distributor demanded compensation amounting to approximately RMB87,331,000 (equivalent to approximately HK$105,396,000) as well as the settlement of other related costs by Beijing Genetech. The modification arbitration request application has not been accepted by the CIETAC at the date of this report.

As a result of the foregoing, the Group made a provision of approximately RMB12,934,000 (equivalent to approximately HK$15,610,000) for the above litigation claim for the year ended 31 December 2021.

35. PROVISIONS, LITIGATIONS AND CONTINGENT (CONTINUED)

On 12 June 2022, Beijing Genetech received a decision made by the CIETAC (the "**Decision**"). Pursuant to the Decision, Beijing Genetech was ordered to make a payment of service fee payables, a repayment of royalty fee paid by the Distributor and the corresponding compensation payments of approximately RMB14,919,000 (equivalent to approximately HK$17,996,000) of which an aggregate amount of RMB12,934,000 (equivalent to approximately HK$15,610,000) had been included in the provision amount as at 31 December 2021. A further provision of approximately RMB1,985,000 (equivalent to approximately HK$2,307,000) for the above litigation claim was made for the year ended 31 December 2022.

Apart from the aforesaid case, the Group was not involved in any other material litigation or arbitration during the year ended 31 December 2022.

36. CAPITAL COMMITMENTS

	2022 **HK$'000**	2021 HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
— purchase of property, plant and equipment	**19,269**	2,480
— purchase of intangible asset	**13,464**	14,757
— research and development activities	**600**	1,184
	33,333	18,421

37. RELATED PARTY TRANSACTIONS

(a) Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Related party	Nature of balances/transactions	2022 HK$'000	2021 HK$'000
Shenzhen Tongchuang Biological Engineering Co., Limited ("**Shenzhen Tongchuang**") (Notes (i) and (ii)) 深圳市同創生物工程有限公司	Amount due to a related party	**5,186**	10,937
	Acquisition of right-of-use asset (Note 17)	**5,986**	6,214
Shenzhen Taili Biotechnology Co., Limited ("**Shenzhen Taili**") (Notes (iii)) 深圳太力生物技術有限責任公司	Rental expenses	**81**	–

Notes:

(i) The amount is/was unsecured, non-interesting bearing and repayable on demand.

(ii) Shenzhen Tongchuang is an indirect subsidiary of Greater Bay Capital Limited, in which the close family members of a director, and a director and shareholder of the Company have beneficial interests.

(iii) Common director, Mr. Kingsley Leung.

(b) The key management personnel of the Group comprises all the directors of the Company and the five highest paid individuals. Details of compensation of directors and the five highest paid individuals are included in note 14, there is no other remuneration paid to key management personnel during the years ended 31 December 2022 and 2021.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of major subsidiaries at 31 December 2022 and 2021 are disclosed as follows:

Name of subsidiary	Place/ country of incorporation/ registration and operation	Principal activities	Proportion of issued share capital/registered capital held by the Company 2022	2021	Particulars of issued and paid up share capital
Directly held					
Lelion Holding Limited	British Virgin Islands/ Hong Kong	Investment holding	100%	100%	2 Ordinary shares of US$1 each
Indirectly held					
Uni-Bio Management Limited	Hong Kong	Provision of management services	100%	100%	1 Ordinary share of HK$1
Uni-Bioscience Pharm Co. Limited	Hong Kong	Distribution of pharmaceutical products	100%	100%	1 Ordinary share of HK$1
Beijing Genetech Pharmaceutical Co., Limited (note) 北京博康健基因科技有限公司	The PRC	Manufacture and sales of chemical and biological products	100%	100%	Contributed capital of RMB91,000,000
Shenzhen Watsin Genetech Limited (note) 深圳市華生元基因工程發展有限公司	The PRC	Manufacture and sales of biological products	100%	100%	Contributed capital of RMB100,000,000
Uni-Bio Science Healthcare (Beijing) Co. Limited (note) 聯康永泰生物科技（北京）有限公司	The PRC	Sales and marketing	100%	100%	Contributed capital of RMB500,000
Beijing Taili Science and Technology Innovation Biological Engineering Co., Ltd 北京太力科創生物工程有限公司	The PRC	Manufacture and sales of chemical and biological products	100%	100%	Contributed capital of RMB100,000,000
Guangdong Watsin Genetic Engineering Development Co., Limited 廣東華生元基因工程發展有限公司	The PRC	Manufacture and sales of biological products	100%	100%	Contributed capital of RMB12,780,000 (2021: RMB1,000,000)

Note: Companies are established as wholly foreign owned enterprises in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries are either investment holding or inactive would, in the opinion of the directors, result in particulars of excessive length.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a related party HK$'000 (note 37)	**Lease liabilities** HK$'000 (note 27)	**Bank borrowings** HK$'000 (note 26)	**Amount due to a joint operation** HK$'000 (note 30)
As at 1 January 2021	–	3,138	–	–
Changes from financing cash flows:				
Repayment of lease liabilities	–	(678)	–	–
Interest paid	–	(477)	–	–
Cash advance from a related party	7,643	–	–	–
Total changes from financing cash flow	7,643	1,983	–	–
Non-cash transactions:				
Current account with a related party	3,294	(3,294)	–	–
Leases entered	–	6,678	–	–
Covid-19-related rent concessions	–	(303)	–	–
Exchange adjustments	–	57	–	–
Interest expenses	–	477	–	–
At 31 December 2021	10,937	5,598	–	–
Changes from financing cash flows:				
Repayment of lease liabilities	**–**	**(3,829)**	**–**	**–**
Interest paid	**–**	**(338)**	**(38)**	**–**
Cash advance from a related party	**3,482**	**–**	**–**	**–**
Cash advance from a joint operation	**–**	**–**	**–**	**131**
Proceeds from bank borrowings	**–**	**–**	**11,625**	**–**
Repayment to a related party	**(8,458)**	**–**	**–**	**–**
Total changes from financing cash flow	**(4,976)**	**(4,167)**	**11,587**	**131**
Non-cash transactions:				
Effect of modification to lease terms	**–**	**5,761**	**–**	**–**
Leases entered	**–**	**4,763**	**–**	**–**
Covid-19-related rent concession	**–**	**(227)**	**–**	**–**
Exchange adjustments	**(775)**	**(588)**	**(431)**	**–**
Interest expenses	**–**	**338**	**38**	**–**
At 31 December 2022	**5,186**	**11,478**	**11,194**	**131**

Five-Year Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the past five financial periods is set out below:

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**440,316**	353,405	208,776	209,449	135,258
PROFIT/(LOSS) BEFORE TAXATION	**43,287**	(20,012)	(70,941)	5,140	(138,433)
INCOME TAX (EXPENSE)/CREDIT	**(4,775)**	421	(378)	(2,681)	(134)
PROFIT/(LOSS) FOR THE YEAR	**38,512**	(19,591)	(71,319)	2,459	(138,567)
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**38,512**	(19,591)	(71,319)	2,459	(138,567)
PROFIT/(LOSS) FOR THE YEAR	**38,512**	(19,591)	(71,319)	2,459	(138,567)

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**262,471**	267,593	252,717	296,453	242,448
TOTAL LIABILITIES	**(97,725)**	(93,286)	(63,306)	(55,003)	(40,698)
EQUITY	**194,746**	174,307	189,411	241,450	201,750

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kingsley LEUNG *(Chairman)*
Mr. CHEN Dawei
Mr. ZHAO Zhi Gang

Non-executive Director

Mr. YAU Kwok Wing Tony

Independent Non-Executive Directors

Mr. CHOW Kai Ming
Mr. REN Qimin
Mr. MA Qingshan

AUDIT COMMITTEE

Mr. CHOW Kai Ming
(Chairman of the Audit Committee)
Mr. REN Qimin
Mr. MA Qingshan

REMUNERATION COMMITTEE

Mr. CHOW Kai Ming
(Chairman of the Remuneration Committee)
Mr. Kingsley LEUNG
Mr. REN Qimin
Mr. MA Qingshan

NOMINATION COMMITTEE

Mr. Kingsley LEUNG
(Chairman of the Nomination Committee)
Mr. CHOW Kai Ming
Mr. MA Qingshan
Mr. REN Qimin

COMPANY SECRETARY

Ms. HO Wing Yan *(ACG, HKACG (PE))*

AUTHORIZED REPRESENTATIVES

Mr. Kingsley LEUNG
Mr. CHEN Dawei

AUDITORS

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Certified Public Accountants

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